

NBT BANCORP INC  
Form S-4  
November 20, 2012  
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As filed with the Securities and Exchange Commission on November 20, 2012

Registration No. 333-

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM S-4**  
**REGISTRATION STATEMENT**  
*UNDER*  
*THE SECURITIES ACT OF 1933*

**NBT Bancorp Inc.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

6712  
(Primary Standard Industrial  
Classification Code Number)

16-1268674  
(I.R.S. Employer  
Identification Number)

**52 South Broad Street**

**Norwich, New York 13815**

**(607) 337-2265**

**(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)**

**Martin A. Dietrich**

**President and Chief Executive Officer**

**NBT Bancorp Inc.**

**52 South Broad Street**

**Norwich, New York 13815**

**(607) 337-2265**

**(Name, address, including zip code, and telephone number, including area code, of agent for service)**

*With copies to:*

**William P. Mayer, Esq.**

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**Exchange Place**

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**(617) 570-1000**

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**52 South Broad Street**

**Norwich, New York 13815**

**(607) 337-6530**

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**555 Thirteenth Street, NW**

**Columbia Square**

**Washington, D.C. 20004**

**(202) 637-5910**

**Approximate date of commencement of the proposed sale of the securities to the public:** As soon as practicable after this Registration Statement becomes effective and upon completion of the merger described in the enclosed joint proxy statement/prospectus.

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If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer   
 Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)   
 Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

### CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered(1)	Proposed maximum aggregate offering price(2)	Amount of registration fee(3)
Common Stock, par value \$0.01 per share	10,328,673	\$193,446,248.68	\$26,386.09
Preferred Stock Purchase Rights(4)			

- (1) Represents the estimated maximum number of shares of NBT Bancorp Inc. common stock that may be issued upon the completion of the merger described herein. This registration statement also relates to an indeterminate number of shares of NBT Bancorp Inc. common stock that may be issued upon stock splits, stock dividends or similar transactions in accordance with Rule 416 under the Securities Act.
- (2) Estimated solely for the purpose of calculating the registration fee required by Section 6(b) of the Securities Act and computed pursuant to Rule 457(f) and 457(c) of the Securities Act, the proposed maximum aggregate offering price of the registrant's common stock was computed by multiplying (A) \$40.79, the average of the high and low prices per share of Alliance Financial Corporation common stock on the NASDAQ Global Select Market on November 16, 2012, by (B) 4,742,492, the maximum possible number of shares of Alliance Financial Corporation common stock that may be cancelled and exchanged in the merger.
- (3) Determined in accordance with Section 6(b) of the Securities Act at a rate equal to \$136.40 per \$1,000,000 of the proposed maximum aggregate offering price.
- (4) This Registration Statement also relates to the rights to purchase shares of Series A Junior Participating Preferred Stock of NBT Bancorp Inc., which are attached to all shares of common stock issued, pursuant to the terms of NBT Bancorp Inc.'s Rights Agreement dated November 15, 2004, and which are not offered separately. Until the occurrence of prescribed events, the rights are not exercisable, are evidenced by the certificates for the common stock or in book-entry form along with the common stock and will be transferred with and only with such common stock.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**



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**The information in this joint proxy statement/prospectus is not complete and may be changed. We may not sell the securities offered by this joint proxy statement/prospectus until the registration statement filed with the Securities and Exchange Commission is effective. This joint proxy statement/prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction where an offer or solicitation is not permitted.**

**PRELIMINARY SUBJECT TO COMPLETION DATED NOVEMBER 20, 2012**

**Joint Proxy Statement/Prospectus**

**MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT**

Dear Stockholder:

On October 7, 2012, the boards of directors of NBT Bancorp Inc., or NBT, and Alliance Financial Corporation, or Alliance, each unanimously approved a merger agreement between NBT and Alliance pursuant to which Alliance will merge with and into NBT, with NBT surviving the merger.

Each of NBT and Alliance is holding a special meeting for its stockholders to vote on the proposals necessary to complete the merger. The merger cannot be completed unless the holders of a majority of the shares of NBT common stock outstanding and entitled to vote and the holders of two-thirds of the shares of Alliance common stock outstanding and entitled to vote at each company's special meeting vote to adopt and approve the merger agreement.

The special meeting of NBT stockholders will be held at the \_\_\_\_\_ on \_\_\_\_\_, at \_\_\_\_\_, local time. The special meeting of Alliance shareholders will be held at the \_\_\_\_\_ on \_\_\_\_\_, at \_\_\_\_\_, local time.

If the merger agreement is adopted and approved and the merger is subsequently completed, Alliance shareholders will receive 2.1779 shares of NBT common stock for each share of Alliance common stock they own on the effective date of the merger. Alliance shareholders will also receive cash in lieu of any fractional shares they would have otherwise received in the merger. NBT expects to issue approximately 10.3 million shares of its common stock in the merger. NBT common stock is listed on the NASDAQ Global Select Market under the symbol NBTB and Alliance common stock is listed on the NASDAQ Global Select Market under the symbol ALNC. On November \_\_\_\_\_, 2012, the closing price of NBT common stock was \$ \_\_\_\_\_ per share and the closing price of Alliance common stock was \$ \_\_\_\_\_ per share. These prices will fluctuate between now and the closing of the merger. We urge you to obtain current market quotations for both NBT and Alliance common stock.

**Your vote is important regardless of the number of shares you own.** Whether or not you plan to attend the special meeting, please take the time to vote by completing and mailing the enclosed proxy card or by submitting a proxy through the Internet or by telephone as described on the enclosed instructions as soon as possible to make sure your shares are represented at the special meeting. If you hold shares through a bank or broker, please use the voting instructions you have received from your bank or broker. If you submit a properly signed proxy card without indicating how you want to vote, your proxy will be counted as a vote **FOR** each of the proposals being voted on at your company's special meeting. The failure to vote by submitting your proxy or attending your company's special meeting and voting in person will have the same effect as a vote against adoption and approval of the merger agreement.

The accompanying document serves as the joint proxy statement for the special meetings of NBT and Alliance and as the prospectus for the shares of NBT common stock to be issued in connection with the merger. This joint proxy statement/prospectus describes the special meetings, the merger, the documents related to the merger and other related matters. Please carefully review and consider this joint proxy statement/prospectus. **Please give particular attention to the discussion under the heading Risk Factors beginning on page 26 for risk**

**factors relating to the transaction which you should consider.**

We look forward to the successful completion of the merger.

Sincerely,

Martin A. Dietrich

Jack H. Webb

NBT Bancorp Inc.

Alliance Financial Corporation

President and CEO

President and CEO

**Neither the Securities and Exchange Commission nor any state securities commission or bank regulatory agency has approved or disapproved of the securities to be issued in the merger or determined if the attached joint proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.**

**The shares of NBT common stock to be issued in the merger are not savings accounts, deposits or other obligations of any bank or savings association and are not insured by any federal or state governmental agency.**

This joint proxy statement/prospectus is dated \_\_\_\_\_, 2012, and is first being mailed to NBT stockholders and Alliance shareholders on or about \_\_\_\_\_, 2012.

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**120 Madison Street**

**Syracuse, New York 13202**

**(315) 475-2100**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON**

A special meeting of shareholders of Alliance Financial Corporation, or Alliance, will be held at the \_\_\_\_\_ on \_\_\_\_\_, at \_\_\_\_\_, local time, for the following purposes:

1. to consider and vote upon a proposal to adopt the Agreement and Plan of Merger by and between NBT Bancorp Inc., or NBT, and Alliance, dated as of October 7, 2012, pursuant to which Alliance will merge with and into NBT with NBT surviving;
2. to consider and vote upon an advisory (non-binding) proposal to approve the golden parachute compensation payable to the named executive officers of Alliance in connection with the merger;
3. to consider and vote upon a proposal to approve one or more adjournments of the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting, or at any adjournment or postponement of that meeting, to adopt the merger agreement; and
4. to consider and act upon such other matters as may properly come before the special meeting or any adjournment or postponement of that meeting.

The merger agreement and proposed merger of Alliance with and into NBT is more fully described in the attached document, which you should read carefully and in its entirety before voting. A copy of the merger agreement is included as Annex A to the attached joint proxy statement/prospectus.

The board of directors of Alliance has established the close of business on \_\_\_\_\_, as the record date for the special meeting. Only record holders of Alliance common stock as of the close of business on that date will be entitled to notice of and vote at the special meeting or any adjournment or postponement of that meeting. A list of shareholders entitled to vote at the special meeting will be available for review at the special meeting upon request by any Alliance shareholder entitled to vote at the special meeting. The affirmative vote of holders of at least two-thirds of the shares of Alliance common stock outstanding and entitled to vote at the special meeting is required to adopt the merger agreement.

Your vote is important, regardless of the number of shares that you own. **Please complete, sign and return the enclosed proxy card promptly in the enclosed postage-paid envelope or submit a proxy through the Internet or by telephone as described in the enclosed instructions.** Voting by proxy will not prevent you from voting in person at the special meeting, but will assure that your vote is counted if you are unable to attend. You may revoke your proxy at any time before the meeting. If your shares are held in the name of a bank, broker or other nominee, please follow the instructions furnished to you by such record holder with these materials. If you do not vote in person or by proxy, the effect will be a vote AGAINST adoption of the merger agreement.

**The Alliance board of directors unanimously recommends that you vote FOR adoption of the merger agreement, FOR approval, on an advisory (non-binding) basis, of the golden parachute compensation payable to the named executive officers of Alliance in connection with the merger, and FOR the adjournment proposal as described above.**

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By Order of the Board of Directors,

Judy A. Schultz

Secretary

Syracuse, New York

, 2012



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52 South Broad Street

Norwich, New York 13815

(607) 337-2265

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON**

A special meeting of stockholders of NBT Bancorp Inc., or NBT, will be held at the \_\_\_\_\_, on \_\_\_\_\_, at \_\_\_\_\_, local time, for the following purposes:

1. to consider and vote upon a proposal to adopt and approve the Agreement and Plan of Merger by and between NBT and Alliance Financial Corporation, or Alliance, dated as of October 7, 2012, pursuant to which Alliance will merge with and into NBT with NBT surviving;
2. to consider and vote upon a proposal to approve one or more adjournments of the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting, or at any adjournment or postponement of that meeting, to adopt and approve the merger agreement; and
3. to consider and act upon such other matters as may properly come before the special meeting or any adjournment or postponement of that meeting.

The merger agreement and proposed merger of Alliance with and into NBT is more fully described in the attached document, which you should read carefully and in its entirety before voting. A copy of the merger agreement is included as Annex A to the attached joint proxy statement/prospectus.

The board of directors of NBT has established the close of business on \_\_\_\_\_, 2012, as the record date for the special meeting. Only record holders of NBT common stock as of the close of business on that date will be entitled to notice of and vote at the special meeting or any adjournment or postponement of that meeting. The list of stockholders entitled to vote at the special meeting will be available for review by any NBT stockholder entitled to vote at the special meeting at NBT's principal executive offices during regular business hours for the 10 days before the special meeting. The affirmative vote of holders of at least a majority of the shares of NBT common stock outstanding and entitled to vote at the special meeting is required to adopt and approve the merger agreement.

Your vote is important, regardless of the number of shares that you own. **Please complete, sign and return the enclosed proxy card promptly in the enclosed postage-paid envelope or submit a proxy through the Internet or by telephone as described in the enclosed instructions.** Voting by proxy will not prevent you from voting in person at the special meeting, but will assure that your vote is counted if you are unable to attend. You may revoke your proxy at any time before the meeting. If your shares are held in the name of a bank, broker or other nominee, please follow the instructions furnished to you by such record holder with these materials. If you do not vote in person or by proxy, the effect will be a vote **AGAINST** adoption and approval of the merger agreement.

**The NBT board of directors unanimously recommends that you vote FOR adoption and approval of the merger agreement and FOR the adjournment proposal as described above.**

By Order of the Board of Directors,  
Daryl R. Forsythe  
Chairman of the Board

Norwich, New York

, 2012

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**ADDITIONAL INFORMATION**

The accompanying joint proxy statement/prospectus incorporates by reference important business and financial information about NBT and Alliance from documents that are not included in or delivered with the joint proxy statement/prospectus. This information is available to you without charge upon your written or oral request. You can obtain the documents incorporated by reference in this joint proxy statement/prospectus by requesting them in writing or by telephone from the appropriate company at the following addresses and telephone numbers:

<b>NBT Bancorp Inc.</b>	<b>Alliance Financial Corporation</b>
52 South Broad Street	120 Madison Street
Norwich, New York 13815	Syracuse, New York 13202
Attention: Michael J. Chewens, CFO	Attention: J. Daniel Mohr, CFO
(607) 337-2265	(315) 475-4478
<a href="http://www.nbtbancorp.com">www.nbtbancorp.com</a>	<a href="http://www.alliancefinancialcorporation.com">www.alliancefinancialcorporation.com</a>
<i>( Investor Relations tab)</i>	<i>( Investor Relations tab)</i>

**To obtain timely delivery, you must request the information no later than five business days before the applicable special meeting. In the case of Alliance shareholders, this means that you must make your request no later than [redacted], 2013, and in the case of NBT stockholders, this means that you must make your request no later than [redacted], 2013.**

For a more detailed description of the information incorporated by reference in the accompanying joint proxy statement/prospectus and how you may obtain it, see *Where You Can Find More Information* beginning on page 115.

The accompanying joint proxy statement/prospectus provides a detailed description of the merger and the merger agreement. We urge you to read the joint proxy statement/prospectus, including any documents incorporated by reference into the proxy statement/prospectus, and its annexes carefully and in their entirety. If you have any questions concerning the merger, the other meeting matters or the joint proxy statement/prospectus, or need assistance voting your shares, please contact your company's proxy solicitor at the address or telephone number listed below:

<b>For NBT Stockholders:</b>	<b>For Alliance Shareholders:</b>
AST Phoenix Advisors	Regan & Associates, Inc.
110 Wall Street, 27th Floor	505 Eighth Avenue, Suite 800
New York, New York 10005	New York, New York 10018
(877) 478-5038	(800) 737-3426

**Please do not send your stock certificates at this time. You will be sent separate instructions regarding the surrender of your stock certificates.**

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**QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETINGS**

*The following questions and answers are intended to address briefly some commonly asked questions regarding the merger and the special meetings. These questions and answers may not address all questions that may be important to you as a stockholder. To better understand these matters, and for a description of the legal terms governing the merger, you should carefully read this entire joint proxy statement/prospectus, including the annexes, as well as the documents that have been incorporated by reference in this joint proxy statement/prospectus.*

**Q: Why am I receiving this joint proxy statement/prospectus?**

A: NBT and Alliance have agreed to the acquisition of Alliance by NBT under the terms of the merger agreement that is described in this joint proxy statement/prospectus. A copy of the merger agreement is attached to this joint proxy statement/prospectus as Annex A. In order to complete the merger, NBT and Alliance stockholders must vote to adopt and approve the merger agreement. NBT and Alliance will each hold a special meeting of stockholders to obtain this approval. This joint proxy statement/prospectus contains important information about the merger, the merger agreement, the special meetings of NBT and Alliance stockholders, respectively, and other related matters, and you should read it carefully. The enclosed voting materials for each special meeting allow you to vote your shares of common stock without attending your company's special meeting in person.

We are delivering this joint proxy statement/prospectus to you as both a joint proxy statement of NBT and Alliance and a prospectus of NBT. It is a joint proxy statement because the boards of directors of both NBT and Alliance are soliciting proxies from their respective stockholders to vote on the adoption and approval of the merger agreement at their respective special meetings of stockholders. Your proxy will be used at your respective special meeting or at any adjournment or postponement of that special meeting. It is also a prospectus because NBT will issue NBT common stock to Alliance shareholders as consideration in the merger, and this prospectus contains information about that common stock.

**Q: What will happen in the merger?**

A: In the proposed merger, Alliance will merge with and into NBT, with NBT being the surviving entity. Following the merger, Alliance Bank, N.A., or Alliance Bank, will be merged with and into NBT Bank, N.A., or NBT Bank, with NBT Bank being the surviving entity.

**Q: What will I receive in the merger?**

A: *Alliance Shareholders.* If the merger agreement is adopted and approved and the merger is subsequently completed, Alliance shareholders will be entitled to receive 2.1779 shares of NBT common stock (together with the associated stock purchase rights, which are attached to, and trade with, NBT common stock) for each outstanding share of Alliance common stock (other than stock held by Alliance or NBT) held at the time of the merger.

The value of the stock consideration is dependent upon the value of NBT common stock and therefore will fluctuate with the market price of NBT common stock. Accordingly, any change in the price of NBT common stock prior to the merger will affect the market value of the stock consideration that Alliance shareholders will receive as a result of the merger.

*NBT Stockholders.* NBT stockholders will continue to hold their existing shares, which will not change as a result of the merger.

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**Q: Will I receive any fractional shares of NBT common stock as part of the merger consideration?**

A: No. NBT will not issue any fractional shares of NBT common stock in the merger. Instead, NBT will pay you the cash value of a fractional share measured by the average of the daily closing prices of NBT common stock on The NASDAQ Stock Market, or NASDAQ, for the five consecutive trading days ending on the third business day immediately prior to the closing date, rounded to the nearest whole cent.

**Q: What will happen to shares of NBT common stock in the merger?**

A: Nothing. Each share of NBT common stock outstanding will remain outstanding as a share of NBT common stock.

**Q: What are the material U.S. federal income tax consequences of the merger to U.S. holders of shares of Alliance common stock?**

A: The merger is intended to qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, which we refer to as the Code. Accordingly, Alliance shareholders generally will not recognize any gain or loss on the conversion of shares of Alliance common stock solely into shares of NBT common stock. However, an Alliance shareholder generally will be subject to tax on cash received in lieu of any fractional share of NBT common stock that an Alliance shareholder would otherwise be entitled to receive. See The Merger Material U.S. Federal Income Tax Consequences of the Merger beginning on page 74.

**Q: Will I be able to trade the shares of NBT common stock that I receive in the merger?**

A: You may freely trade the shares of NBT common stock issued in the merger, unless you are an affiliate of NBT as defined by Rule 144 under the Securities Act of 1933, as amended, or the Securities Act. Affiliates consist of individuals or entities that control, are controlled by, or are under the common control with NBT and include the executive officers and directors and may include significant stockholders of NBT.

**Q: What are the conditions to completion of the merger?**

A: The obligations of NBT and Alliance to complete the merger are subject to the satisfaction or waiver of certain closing conditions contained in the merger agreement, including the receipt of required regulatory approvals and tax opinions, and the adoption and approval of the merger agreement by the stockholders of both NBT and Alliance.

**Q: When do you expect the merger to be completed?**

A: We will complete the merger when all of the conditions to completion contained in the merger agreement are satisfied or waived, including obtaining required regulatory approvals and the adoption and approval of the merger agreement by NBT and Alliance stockholders at their respective special meetings. While we expect the merger to be completed in early 2013, because fulfillment of some of the conditions to completion of the merger is not entirely within our control, we cannot assure you of the actual timing.

**Q: What stockholder approvals are required to complete the merger?**



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- A: The merger cannot be completed unless a majority of the shares of NBT common stock outstanding and entitled to vote and two-thirds of the shares of Alliance common stock outstanding and entitled to vote at each company's special meeting adopt and approve the merger agreement.

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**Q: Are there any shareholders already committed to voting in favor of the merger agreement?**

A: Yes. Alliance's Chairman, Chief Executive Officer and President, Jack H. Webb entered into a voting agreement with NBT requiring him to vote all of his shares in favor of adoption of the merger agreement. As of the record date, Mr. Webb held 56,317 shares of Alliance common stock, which represented approximately % of the outstanding shares of Alliance common stock on the record date. In addition, NBT holds 39,693 shares of Alliance common stock, which represented approximately % of the outstanding shares of Alliance common stock as of the record date.

**Q: When and where are the special meetings?**

A: The special meeting of shareholders of Alliance will be held at the \_\_\_\_\_ on \_\_\_\_\_, at \_\_\_\_\_, local time. The special meeting of stockholders of NBT will be held at the \_\_\_\_\_ on \_\_\_\_\_, at \_\_\_\_\_, local time.

**Q: What will happen at the special meetings?**

A: At the special meetings, NBT and Alliance stockholders will consider and vote upon the proposal to adopt and approve the merger agreement. Additionally, Alliance shareholders will consider and vote upon an advisory (non-binding) proposal to approve the golden parachute compensation payable to the named executive officers of Alliance in connection with the merger. If, at the time of the NBT or Alliance special meeting, there are not sufficient votes for the stockholders to adopt and approve the merger agreement, you may be asked to consider and vote upon a proposal to adjourn such special meeting, so that additional proxies may be collected.

**Q: Who is entitled to vote at the special meetings?**

A: *Alliance Shareholders:* All holders of Alliance common stock who held shares at the close of business on \_\_\_\_\_, which is the record date for the special meeting of Alliance shareholders, are entitled to receive notice of and to vote at the Alliance special meeting. Each holder of Alliance common stock is entitled to one vote for each share of Alliance common stock owned as of the record date.  
*NBT Stockholders:* All holders of NBT common stock who held shares at the close of business on \_\_\_\_\_, which is the record date for the special meeting of NBT stockholders, are entitled to receive notice of and to vote at the NBT special meeting. Each holder of NBT common stock is entitled to one vote for each share of NBT common stock owned as of the record date.

**Q: What constitutes a quorum for a special meeting?**

A: The quorum requirement for each company's special meeting is the presence in person or by proxy of a majority of the total number of outstanding shares of common stock entitled to vote.

**Q: How do the boards of directors of NBT and Alliance recommend I vote?**

A: After careful consideration, each of the NBT and Alliance boards of directors unanimously recommend that all of their respective stockholders vote **FOR** adoption and approval of the merger agreement, and **FOR** the adjournment proposal, if necessary. The Alliance board of directors also recommends that shareholders vote **FOR** approval, on an advisory (non-binding) basis, of the golden parachute compensation payable to Alliance's named executive officers in connection with the merger.

**Q: Are there any risks that I should consider in deciding whether to vote for adoption and approval of the merger agreement?**

A: Yes. You should read and carefully consider the risk factors set forth in the section in this joint proxy statement/prospectus entitled Risk Factors beginning on page 26 as well as the other information

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contained in or incorporated by reference into this joint proxy statement/prospectus, including the matters addressed in the section of this joint proxy statement/prospectus titled "Information Regarding Forward-Looking Statements" on page 30.

**Q: Why am I being asked to cast an advisory (non-binding) vote to approve the golden parachute compensation payable to certain Alliance officers in connection with the merger?**

A: The Securities and Exchange Commission, or SEC, in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, adopted rules that require Alliance to seek an advisory (non-binding) vote with respect to certain payments that will or may be made to Alliance's named executive officers in connection with the merger. See "The Merger: Interests of Alliance's Directors and Executive Officers in the Merger" beginning on page 60 and "Proposal II: Advisory (Non-Binding) Vote on Golden Parachute Compensation" beginning on page 78.

**Q: What will happen if Alliance shareholders do not approve the golden parachute compensation at the special meeting?**

A: Approval of the golden parachute compensation payable in connection with the merger is not a condition to completion of the merger. The vote with respect to the golden parachute compensation is an advisory vote and will not be binding on Alliance regardless of whether the merger agreement is adopted and approved. Accordingly, as the compensation to be paid to the Alliance executives in connection with the merger is contractual, such compensation will or may be payable if the merger is completed regardless of the outcome of the advisory vote.

**Q: What do I need to do now?**

A: You should carefully read and consider the information contained in or incorporated by reference into this joint proxy statement/prospectus, including its annexes. It contains important information about the merger, the merger agreement, NBT and Alliance. After you have read and considered this information, you should complete and sign your proxy card and return it in the enclosed postage-paid return envelope or submit a proxy through the Internet or by telephone as soon as possible so that your shares will be represented and voted at your company's special meeting.

**Q: How may I vote my shares for the special meeting proposals presented in this joint proxy statement/prospectus?**

A: You may vote by accessing the Internet website or calling the telephone number specified on the proxy card or by completing, signing, dating and returning the proxy card in the enclosed postage-paid envelope as soon as possible. This will enable your shares to be represented and voted at your company's special meeting.

**Q: If my shares are held in street name by my broker, bank or other nominee, will my broker, bank or other nominee automatically vote my shares for me?**

A: No. Your broker, bank or other nominee *will not* vote your shares unless you provide instructions to your broker, bank or other nominee on how to vote. You should instruct your broker, bank or other nominee to vote your shares by following the instructions provided by the broker, bank or nominee with this joint proxy statement/prospectus.

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**Q: How will my shares be represented at the special meeting?**

A: At the special meeting for each of NBT and Alliance, the officers named in your proxy card will vote your shares in the manner you requested if you properly signed and submitted your proxy. If you sign your proxy card and return it without indicating how you would like to vote your shares, your proxy will be voted as the board of directors of the company in which you own such shares recommends, which is, for both of Alliance and NBT (1) **FOR** the adoption and approval of the merger agreement and (2) **FOR** the approval of the adjournment of the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes to adopt and approve the merger agreement at the time of the special meeting. Additionally, shares of Alliance common stock will be voted **FOR** the approval, on an advisory (non-binding) basis, of the golden parachute compensation payable to Alliance's named executive officers in connection with the merger.

**Q: What if I fail to submit my proxy card or to instruct my broker, bank or other nominee?**

A: If you fail to properly submit your proxy card or to instruct your broker, bank or other nominee to vote your shares of NBT or Alliance common stock and you do not attend your company's special meeting and vote your shares in person, your shares will not be voted. This will have the same effect as a vote **AGAINST** adoption and approval of the merger agreement, but will have no impact on the outcome of the other proposals.

**Q: Can I attend the special meeting and vote my shares in person?**

A: Yes. Although the NBT and Alliance boards of directors request that you return the proxy card accompanying this joint proxy statement/prospectus, all stockholders are invited to attend their company's special meeting. Shareholders of record on \_\_\_\_\_, can vote in person at the Alliance special meeting, and stockholders of record on \_\_\_\_\_, can vote in person at the NBT special meeting. If your shares are held by a broker, bank or other nominee, then you are not the stockholder of record and you must bring to the special meeting appropriate documentation from your broker, bank or other nominee to enable you to vote at the special meeting.

**Q: Can I change my vote after I have submitted my proxy?**

A: Yes. If you do not hold your shares in street name, there are three ways you can change your vote at any time after you have submitted your proxy and before your proxy is voted at the special meeting:

you may deliver a written notice bearing a date later than the date of your proxy card to the company's Secretary at the address listed below, stating that you revoke your proxy;

you may submit a new signed proxy card bearing a later date or vote again by telephone or Internet (any earlier proxies will be revoked automatically); or

you may attend the special meeting and vote in person, although attendance at the special meeting will not, by itself, revoke a proxy. You should send any notice of revocation to the appropriate company at:

NBT Bancorp Inc.

Alliance Financial Corporation

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52 South Broad Street

120 Madison Street

Norwich, New York 13815

Syracuse, New York 13202

Attn: F. Sheldon Prentice, Secretary

Attn: Judy A. Schultz, Secretary

If you have instructed a bank, broker or other nominee to vote your shares, you must follow the directions you receive from your bank, broker or other nominee to change your voting instructions.

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**Q: What happens if I sell my shares after the record date but before the special meeting?**

A: The record dates of the special meetings are earlier than the dates of the special meetings and the date that the merger is expected to be completed. If you sell or otherwise transfer your shares after the record date for the special meeting of the company in which you own such shares, but before the date of such company's special meeting, you will retain your right to vote at such company's special meeting, but if you are an Alliance shareholder, you will not have the right to receive the merger consideration to be received by Alliance's shareholders in the merger. In order to receive the merger consideration, an Alliance shareholder must hold his or her shares through completion of the merger.

**Q: What do I do if I receive more than one joint proxy statement/prospectus or set of voting instructions?**

A: If you hold shares directly as a record holder and also in street name or otherwise through a nominee, you may receive more than one joint proxy statement/prospectus and/or set of voting instructions relating to the special meeting. These should each be voted and/or returned separately in order to ensure that all of your shares are voted.

**Q: Are Alliance shareholders entitled to seek appraisal or dissenters' rights if they do not vote in favor of the adoption of the merger agreement?**

A: No. Under the New York Business Corporation Law, Alliance shareholders will not have appraisal rights in connection with the merger.

**Q: Should Alliance shareholders send in their stock certificates now?**

A: No. Alliance shareholders will receive a letter of transmittal and instructions for surrendering of their stock certificates. In the meantime, you should retain your stock certificates because they are still valid. Please do not send in your stock certificates with your proxy card.

**Q: Will a proxy solicitor be used?**

A: Yes. NBT has engaged AST Phoenix Advisors and Alliance has engaged Regan & Associates, Inc. to assist in the solicitation of proxies for their respective special meetings. In addition, NBT and Alliance officers and employees may request the return of proxies by telephone or in person.

**Q: Where can I find more information about the companies?**

A: You can find more information about NBT and Alliance from the various sources described under [Where You Can Find More Information](#) beginning on page 115.

**Q: Whom should I call with questions?**

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A: If you have any questions concerning the merger, the other meeting matters or the joint proxy statement/prospectus, or need assistance voting your shares, please contact your company's proxy solicitor at the address or telephone number listed below:

**For NBT Stockholders:**

AST Phoenix Advisors  
110 Wall Street, 27th Floor  
New York, New York 10005  
(877) 478-5038

**For Alliance Shareholders:**

Regan & Associates, Inc.  
505 Eighth Avenue, Suite 800  
New York, New York 10018  
(800) 737-3426



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**SUMMARY**

*This summary highlights selected information from this joint proxy statement/prospectus. It does not contain all of the information that may be important to you. We urge you to read carefully the entire document and the other documents to which this joint proxy statement/prospectus refers in order to fully understand the merger and the related transactions. See *Where You Can Find More Information* beginning on page 115. Each item in this summary refers to the page of this joint proxy statement/prospectus on which that subject is discussed in more detail.*

**The Companies (Page 32)**

***NBT Bancorp Inc.***

NBT is a registered financial holding company incorporated in Delaware in 1986, with its principal headquarters located in Norwich, New York. NBT is the parent holding company of NBT Bank, N.A., NBT Financial Services, Inc. (which operates EPIC Advisors, Inc.), and NBT Holdings, Inc. (which operates Mang Insurance Agency, LLC), NBT Capital Trust I, NBT Statutory Trust I and NBT Statutory Trust II.

NBT Bank is a national bank with 137 locations, including 95 NBT Bank offices located in upstate New York, northwestern Vermont and western Massachusetts, 35 Pennstar Bank offices located in northeastern Pennsylvania, and 5 Hampshire First Bank offices located in southern New Hampshire. NBT Bank provides its retail consumers and business customers with banking services including residential and commercial real estate loans, commercial business loans, consumer loans, as well as retail and commercial deposit products, various trust services, as well as investment, pension, estate planning and employee benefit administrative services.

At September 30, 2012, NBT had \$6.0 billion in assets, \$4.8 billion in deposits, and \$577.0 million of stockholders' equity.

NBT's principal executive offices are located at 52 South Broad Street, Norwich, New York 13815, its phone number is (607) 337-2265 and its website is [www.nbtbancorp.com](http://www.nbtbancorp.com). Information that is included in this website does not constitute part of this joint proxy statement/prospectus.

***Alliance Financial Corporation***

Alliance is a New York corporation and a registered financial holding company formed on November 25, 1998, as a result of the merger of Cortland First Financial Corporation and Oneida Valley Bancshares, Inc., which were incorporated on May 30, 1986 and October 31, 1984, respectively. Alliance is the holding company of Alliance Bank, which was formed as the result of the merger of First National Bank of Cortland and Oneida Valley National Bank in 1999.

Alliance Bank provides financial services from 29 retail branches and customer service facilities in the New York counties of Cortland, Madison, Oneida, Onondaga and Oswego, and from a Trust Administration Center in Buffalo, New York. Primary services include commercial, retail and municipal banking, consumer finance, mortgage financing and servicing, and trust and investment management services. Alliance Bank has a substantially wholly owned subsidiary, Alliance Preferred Funding Corp., which is engaged in residential real estate activity, and a wholly owned subsidiary, Alliance Leasing, Inc., which is engaged in commercial leasing activity in over 30 states.

At September 30, 2012, Alliance had \$1.4 billion in assets, \$1.1 billion in deposits, and \$148.4 million of shareholders' equity.

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Alliance's principal executive offices are located on the 18th Floor, 120 Madison Street, Syracuse, New York 13202. Alliance's telephone number is (315) 475-2100 and its website is www.alliancefinancialcorporation.com. Information that is included in this website does not constitute part of this joint proxy statement/prospectus.

**The Special Meeting of Shareholders of Alliance**

***Date, Time and Place of the Special Meeting (Page 33)***

Alliance will hold its special meeting of shareholders at the \_\_\_\_\_ on \_\_\_\_\_, at \_\_\_\_\_, local time.

***Purpose of the Special Meeting (Page 33)***

At the special meeting you will be asked to vote upon a proposal to adopt the merger agreement, a proposal to approve, on an advisory (non-binding) basis, the golden parachute compensation payable to the named executive officers of Alliance in connection with the merger and, if necessary, a proposal to approve one or more adjournments of the special meeting.

***Recommendation of Alliance Board of Directors (Page 33)***

The Alliance board of directors unanimously recommends that you vote **FOR** adoption of the merger agreement, **FOR** approval, on an advisory (non-binding) basis, of the golden parachute compensation payable to the named executive officers of Alliance in connection with the merger, and **FOR** approval of the proposal to adjourn the special meeting.

***Record Date; Outstanding Shares; Shares Entitled to Vote (Page 33)***

Only holders of record of Alliance common stock at the close of business on the record date of \_\_\_\_\_, are entitled to notice of and to vote at the special meeting. As of the record date, there were \_\_\_\_\_ shares of Alliance common stock outstanding, held of record by approximately \_\_\_\_\_ shareholders.

***Quorum; Vote Required (Page 33)***

A quorum of Alliance shareholders is necessary to hold a valid meeting. If the holders of at least a majority of the total number of the outstanding shares of Alliance common stock entitled to vote are represented in person or by proxy at the special meeting, a quorum will exist. Alliance will include proxies marked as abstentions and broker non-votes in determining the presence of a quorum at the special meeting.

The affirmative vote of the holders of at least two-thirds of the outstanding shares of Alliance common stock is required to adopt the merger agreement. The affirmative vote of the holders of at least a majority of votes cast is required to approve, on an advisory (non-binding) basis, the golden parachute compensation payable to the named executive officers of Alliance in connection with the merger, and the proposal to adjourn the special meeting.

***Share Ownership of Management; Voting Agreement (Page 34)***

As of the record date, the directors and executive officers of Alliance and their affiliates collectively owned \_\_\_\_\_ shares of Alliance common stock, or approximately \_\_\_\_\_ % of Alliance's outstanding shares. Alliance currently expects that each of its directors and executive officers and their affiliates will vote their shares of Alliance common stock **FOR** adoption of the merger agreement and the other proposals described in the notice for the special meeting, although, except for Alliance's Chairman, Chief Executive Officer and President, Jack H. Webb, none of them has entered into an agreement requiring them to do so.

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Mr. Webb has entered into a voting agreement with NBT, which requires Mr. Webb to vote all of the shares of Alliance common stock beneficially owned by him in favor of adoption of the merger agreement. As of the record date, Mr. Webb held 56,317 shares of Alliance common stock, which represented approximately % of the outstanding shares of Alliance common stock as of the record date. Mr. Webb was not paid any additional consideration in connection with the execution of the voting agreement. In addition, NBT holds 39,693 shares of Alliance common stock, which represented approximately % of the outstanding shares of Alliance common stock as of the record date.

### **The Special Meeting of Stockholders of NBT**

#### ***Date, Time and Place of the Special Meeting (Page 37)***

NBT will hold its special meeting of stockholders at the \_\_\_\_\_ on \_\_\_\_\_, at \_\_\_\_\_, local time.

#### ***Purpose of the Special Meeting (Page 37)***

At the special meeting you will be asked to vote upon a proposal to adopt and approve the merger agreement and, if necessary, a proposal to approve one or more adjournments of the special meeting.

#### ***Recommendation of NBT Board of Directors (Page 37)***

The NBT board of directors unanimously recommends that you vote **FOR** adoption and approval of the merger agreement and **FOR** approval of the proposal to adjourn the special meeting.

#### ***Record Date; Outstanding Shares; Shares Entitled to Vote (Page 37)***

Only holders of record of NBT common stock at the close of business on the record date of \_\_\_\_\_, are entitled to notice of and to vote at the special meeting. As of the record date, there were \_\_\_\_\_ shares of NBT common stock outstanding, held of record by approximately \_\_\_\_\_ stockholders.

#### ***Quorum; Vote Required (Page 37)***

A quorum of NBT stockholders is necessary to hold a valid meeting. If the holders of at least a majority of the total number of the outstanding shares of NBT common stock entitled to vote are represented in person or by proxy at the special meeting, a quorum will exist. NBT will include proxies marked as abstentions and broker non-votes in determining the presence of a quorum at the special meeting.

The affirmative vote of the holders of at least a majority of the outstanding shares of NBT common stock is required to adopt and approve the merger agreement. The affirmative vote of the holders of at least a majority of the shares present and entitled to vote at the special meeting is required to approve the proposal to adjourn the special meeting.

#### ***Share Ownership of Management (Page 38)***

As of the record date, the directors and executive officers of NBT and their affiliates collectively owned \_\_\_\_\_ shares of NBT common stock, or approximately % of NBT's outstanding shares. NBT currently expects that each of its directors and executive officers and their affiliates will vote their shares of NBT common stock **FOR** adoption and approval of the merger agreement, although none of them has entered into an agreement requiring them to do so.

### **The Merger and the Merger Agreement**

*The proposed merger is of Alliance with and into NBT, with NBT as the surviving corporation in the merger. The merger agreement is attached to this joint proxy statement/prospectus as Annex A. Please carefully read the merger agreement as it is the legal document that governs the merger.*



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### ***Structure of the Merger (Page 80)***

Subject to the terms and conditions of the merger agreement, and in accordance with the Delaware General Corporation Law and the New York Business Corporation Law, at the completion of the merger, Alliance will merge with and into NBT. NBT will be the surviving corporation in the merger and will continue its corporate existence under the laws of the State of Delaware. Upon completion of the merger, the separate corporate existence of Alliance will terminate.

### ***Consideration to be Received in the Merger (Page 81)***

Upon completion of the merger, each outstanding share of Alliance common stock (other than any stock held by Alliance or NBT, which will be cancelled) will be converted into the right to receive 2.1779 shares of NBT common stock (together with the associated stock purchase rights which are attached to, and trade with, shares of NBT common stock).

No fractional shares of NBT common stock will be issued to any holder of Alliance common stock upon completion of the merger. For each fractional share that would otherwise be issued, NBT will pay each shareholder cash (without interest) in an amount equal to the fractional share interest to which such shareholder would otherwise be entitled multiplied by the average of the daily closing prices of NBT common stock during the regular session of NBT common stock on NASDAQ for the five consecutive trading days ending on the third business day immediately prior to the closing date, rounded to the nearest whole cent.

### ***Treatment of Stock-Based Awards (Page 81)***

At the effective time of the merger, all of the then outstanding Alliance restricted stock awards will fully vest in accordance with their existing terms, and all of the related shares will be converted in the merger into the right to receive the same merger consideration for which other outstanding shares of Alliance common stock will be exchanged in the merger.

### ***Treatment of Alliance's Deferred Compensation Plans (Page 82)***

Without any action of any participant in any Alliance stock-based deferred compensation plan, all amounts held in participant accounts and denominated in Alliance common stock will be converted in accordance with the existing terms of such plans into the number of shares of NBT common stock that is equal to the number of shares of Alliance common stock immediately prior to the effective time multiplied by 2.1779.

### ***Opinion of Keefe, Bruyette & Woods, Inc., Financial Advisor to Alliance (Page 50)***

On October 7, 2012, Keefe, Bruyette & Woods, Inc., or KBW, rendered to the Alliance board of directors its oral opinion, subsequently confirmed in writing that, as of such date, the consideration to be received in the merger was fair to Alliance shareholders from a financial point of view. The full text of KBW's written opinion, which sets forth the assumptions made, matters considered and qualifications and limitations on the review undertaken in connection with the opinion, is attached to this document as [Annex B](#). Alliance shareholders are urged to read the opinion in its entirety. KBW's opinion speaks only as of the date of the opinion. **The opinion is directed to the Alliance board of directors and addresses only the fairness, from a financial point of view, of the exchange ratio to the holders of Alliance common stock. It does not address the underlying business decision to proceed with the merger and does not constitute a recommendation to any Alliance shareholder as to how the shareholder should vote at the Alliance special meeting on the merger agreement or any related matter.**

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***Opinion of Ambassador Financial Group, Financial Advisor to NBT (Page 66)***

On October 7, 2012, Ambassador Financial Group, or AFG, rendered to the NBT board its oral opinion, subsequently confirmed in writing that, as of such date, the consideration to be paid in the merger was fair to NBT stockholders from a financial point of view. The full text of AFG's written opinion, which sets forth the assumptions made, matters considered and qualifications and limitations on the review undertaken in connection with the opinion, is attached to this document as Annex C. NBT stockholders are urged to read the opinion in its entirety. **AFG's written opinion is addressed to the board of directors of NBT and is directed only to the fairness of the merger consideration to NBT stockholders from a financial point of view. The written opinion does not address the underlying business decision of NBT to engage in the merger or any other aspect of the merger and is not a recommendation to any NBT stockholder as to how such stockholder should vote at the special meeting with respect to the merger agreement or any other matter.**

***Interests of Alliance's Directors and Executive Officers in the Merger (Page 60)***

Alliance executive officers and directors have financial interests in the merger that are in addition to, or different from, the interests of Alliance shareholders generally. These interests include certain payments and benefits that may be provided to directors and executive officers of Alliance upon completion of the merger, including acceleration of restricted stock awards and payment of discretionary bonuses, or upon termination of their employment under specified circumstances at the time of or following the merger, including cash severance and continued health insurance benefits. Additionally, NBT entered into an agreement with Jack H. Webb regarding his continuing role with the combined company following the merger. The Alliance board of directors was aware of those interests and considered them, among other matters, when it approved the merger agreement.

***NBT's and NBT Bank's Board of Directors After the Merger (Page 74)***

Immediately following the effective time of the merger, NBT has agreed that it will designate Jack H. Webb, the current Chairman, Chief Executive Officer and President of Alliance, and two other Alliance directors to serve on the NBT board of directors. The designees shall also be appointed to the board of directors of NBT Bank effective immediately following the effective time of the bank merger.

***Bank Merger (Page 74)***

The merger agreement provides that as soon as practicable after the consummation of the merger, Alliance Bank shall be merged with and into NBT Bank with NBT Bank surviving.

***No Solicitation of Alternative Transactions (Page 87)***

The merger agreement restricts Alliance's ability to solicit or engage in discussions or negotiations with a third party regarding a proposal to acquire a significant interest in Alliance. However, if Alliance receives a bona fide unsolicited written acquisition proposal from a third party that is, or is reasonably likely to be, more favorable to Alliance shareholders than the terms of the merger agreement, Alliance may furnish nonpublic information to that third party and engage in negotiations regarding an acquisition proposal with that third party, subject to specified conditions in the merger agreement. In addition, the Alliance board of directors may not:

modify, qualify, withhold or withdraw its approval or recommendation of the merger agreement;

approve or recommend another acquisition proposal to its shareholders; or

cause Alliance to enter into a letter of intent or definitive agreement with respect to an acquisition transaction or that requires Alliance to abandon, terminate or fail to consummate the merger.

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However, the Alliance board of directors may modify, qualify, withhold or withdraw its recommendation of the merger agreement if it determines in good faith, after consultation with counsel and a financial advisor, that an acquisition proposal is a superior proposal and, after consultation with counsel, that it is required to take such action to comply with its fiduciary duties to shareholders under applicable law. In that event, Alliance must provide NBT with notice of such determination and cooperate and negotiate in good faith with NBT to adjust or modify the terms and conditions of the merger agreement.

***Conditions to Completion of the Merger (Page 92)***

As more fully described in this joint proxy statement/prospectus and the merger agreement, the completion of the merger depends on a number of conditions being satisfied or waived, including:

NBT and Alliance stockholders must approve the merger agreement;

NBT and Alliance must have obtained all regulatory approvals required to consummate the transactions contemplated by the merger agreement, all related statutory waiting periods must have expired, and none of the regulatory approvals shall have imposed any term, condition or restriction that NBT reasonably determines would prohibit or materially limit the ownership or operation by NBT or Alliance of all or any material portion of the business or assets of NBT or Alliance, or compel NBT to dispose of or hold separate all or any material portion of the business or assets of Alliance or NBT, which we refer to in this joint proxy statement/prospectus as a burdensome condition;

the absence of any order, decree or injunction in effect, or any law, statute or regulation enacted or adopted, that enjoins, prohibits, materially restricts or makes illegal the consummation of the transactions contemplated by the merger agreement;

NBT and Alliance must each receive a legal opinion from their respective counsel regarding treatment of the merger as a reorganization for federal income tax purposes;

the representations and warranties of each of NBT and Alliance in the merger agreement must be accurate, subject to exceptions that would not have a material adverse effect;

NBT and Alliance must each have performed in all material respects all obligations required to be performed by it; and

no event or development must have occurred with respect to NBT or Alliance that has had, or would reasonably be expected to have, a material adverse effect.

***Termination of the Merger Agreement (Page 93)***

NBT and Alliance can mutually agree to terminate the merger agreement before the merger has been completed, and either company can terminate the merger agreement if:

the merger is not consummated by July 1, 2013, unless the terminating party's failure to comply with the merger agreement was the cause of the failure of the merger to occur on or before this date;

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the other party materially breaches any of its representations, warranties, covenants or other agreements contained in the merger agreement (provided that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained in the merger agreement), and the breach cannot be or has not been cured within 30 days of written notice of the breach and such breach would entitle the non-breaching party not to consummate the transactions contemplated by the merger agreement;

any regulatory approval required for consummation of the merger and the other transactions contemplated by the merger agreement has been denied by final nonappealable action of any regulatory



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authority, or any governmental entity has issued a final nonappealable order, injunction or decree enjoining or otherwise prohibiting the transactions contemplated by the merger agreement, provided that the terminating party has used its reasonable best efforts to have the order, injunction or decree lifted; or

the required approval of the merger agreement by the NBT or Alliance stockholders is not obtained.

In addition, NBT may terminate the merger agreement if:

the Alliance board of directors:

withdraws, qualifies, amends, modifies or withholds its recommendation to the Alliance shareholders to vote in favor of the merger agreement or makes any statement, filing or release that is inconsistent with the recommendation;

materially breaches its obligation to call, give notice of and commence the special meeting;

approves or recommends another acquisition proposal;

fails to publicly recommend against a publicly announced acquisition proposal within five business days of being requested to do so by NBT;

fails to publicly reconfirm its recommendation to its shareholders to vote in favor of the merger agreement within five business days of being requested to do so by NBT; or

resolves or otherwise determines to take, or announces an intention to take, any of the actions listed above; or

Alliance breaches in any material respect the provisions in the merger agreement prohibiting the solicitation of other offers.

In addition, Alliance has the right to terminate the merger agreement if the average closing price of NBT common stock for a specified period prior to closing is less than \$17.74 and NBT common stock underperforms a specified peer-group index by more than 20%. However, NBT will have the option to increase the amount of NBT common stock to be provided to Alliance shareholders, in which case no termination will occur.

***Termination Fee (Page 95)***

Alliance has agreed to pay to NBT a termination fee of approximately \$9.3 million if:

NBT terminates the merger agreement as a result of the Alliance board of directors:

withdrawing, qualifying, amending, modifying or withholding its recommendation to the Alliance shareholders to vote in favor of the merger agreement or making any statement, filing or release that is inconsistent with the recommendation;

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materially breaching its obligation to call, give notice of and commence the special meeting;

approving or recommending another acquisition proposal;

failing to publicly recommend against a publicly announced acquisition proposal within five business days of being requested to do so by NBT;

failing to publicly reconfirm its recommendation to its shareholders to vote in favor of the merger agreement within five business days of being requested to do so by NBT; or

resolving or otherwise determining to take, or announcing an intention to take, any of the actions listed above;

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NBT terminates the merger agreement as a result of a material breach by Alliance of the provisions in the merger agreement prohibiting the solicitation of other offers;

NBT or Alliance terminates the merger agreement as a result of:

the failure of the Alliance shareholders to approve the merger agreement, or the merger not having been consummated by July 1, 2013, due to the failure of Alliance shareholders to approve the merger agreement, and both an acquisition proposal with respect to Alliance has been publicly announced, disclosed or otherwise communicated to the Alliance board of directors or senior management of Alliance prior to July 1, 2013, or prior to the special meeting, as applicable; and

within 12 months of termination of the merger agreement, Alliance recommends to its shareholders another acquisition proposal or enters into a definitive agreement with respect to, or consummates, another acquisition transaction; or

NBT terminates the merger agreement as a result of a material breach by Alliance of any of its representations, warranties, covenants or agreements contained in the merger agreement, if both:

an acquisition proposal with respect to Alliance has been publicly announced, disclosed or otherwise communicated to the Alliance board of directors or senior management of Alliance prior to such breach or during the related cure period; and

within 12 months of termination of the merger agreement, Alliance recommends to its shareholders another acquisition proposal or enters into a definitive agreement with respect to, or consummates, another acquisition transaction.

***Waiver or Amendment of Merger Agreement Provisions (Page 96)***

At any time prior to the completion of the merger, a provision of the merger agreement may be waived by the party intended to benefit by the provision, or may be amended or modified by a written action taken or authorized by the parties' respective boards of directors. However, after the approval of the merger agreement by the Alliance shareholders, no amendment will be made which by law requires further approval by Alliance shareholders without such further approval.

***Material U.S. Federal Income Tax Consequences of the Merger (Page 74)***

The merger is intended to qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code. Accordingly, Alliance shareholders generally will not recognize any gain or loss on the conversion of shares of Alliance common stock solely into shares of NBT common stock. However, an Alliance shareholder generally will be subject to tax on cash received in lieu of any fractional share of NBT common stock that an Alliance shareholder would otherwise be entitled to receive.

***Regulatory Approvals Required for the Merger (Page 76)***

To complete the merger, NBT and Alliance need the prior approval of the Board of Governors of the Federal Reserve Board, or FRB. The United States Department of Justice is able to provide input into the approval process of federal banking agencies to challenge the approval on antitrust grounds. Prior to the date of the special meetings, NBT and Alliance will have filed all necessary applications and notices with the FRB. In addition, approval by the Office of the Comptroller of the Currency, or OCC, is required prior to the merger of Alliance Bank, N.A. into NBT Bank, N.A. NBT and Alliance cannot predict, however, whether or when the required regulatory approval will be obtained or whether any such approval will impose any burdensome condition upon NBT.



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***Accounting Treatment of the Merger (Page 77)***

The merger will be accounted for using the purchase method of accounting with NBT treated as the acquiror. Under this method of accounting, Alliance's assets and liabilities will be recorded by NBT at their respective fair values as of the closing date of the merger and added to those of NBT. Any excess of purchase price over the net fair values of Alliance's assets and liabilities will be recorded as goodwill. Any excess of the fair value of Alliance's net assets over the purchase price will be recognized in earnings by NBT on the closing date of the merger.

***Appraisal Rights (Page 77)***

Under the New York General Corporation Law, Alliance shareholders will not have appraisal rights in connection with the merger.

***Listing of NBT Common Stock to be Issued in the Merger (Page 77)***

NBT's common stock is quoted on the NASDAQ Global Select Market under the trading symbol NBTB.

***Charitable Commitments (Page 90)***

For a period of three years following the effective time, NBT will continue Alliance's charitable giving in the region currently served by Alliance at an annual level of at least \$300,000.

***Differences Between Rights of NBT and Alliance Stockholders (Page 97)***

As a result of the merger, holders of Alliance common stock will become holders of NBT common stock. Following the merger, Alliance shareholders will have different rights as stockholders of NBT than as shareholders of Alliance due to the different provisions of the governing documents of NBT and Alliance. For additional information regarding the different rights as stockholders of NBT than as shareholders of Alliance, see *Comparison of Stockholder Rights* beginning on page 97.

**Table of Contents****SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF NBT BANCORP INC.**

The following tables set forth selected historical financial and other data of NBT for the periods and at the dates indicated. The information is derived in part from and should be read together with the audited consolidated financial statements and notes thereto of NBT incorporated by reference elsewhere in this joint proxy statement/prospectus. The information at and for the nine months ended September 30, 2012 and 2011 is unaudited. However, in the opinion of management of NBT, all adjustments, consisting of normal recurring adjustments necessary for a fair presentation of the results of operations for the unaudited periods have been made. The selected operating data presented below for the nine months ended September 30, 2012 and 2011 are not necessarily indicative of the results that may be expected for future periods.

<i>(In thousands, except share and per share data)</i>	<b>At or for the Nine Months Ended September 30,</b>			<b>At or for the Year ended December 31,</b>			
	<b>2012</b>	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Interest, fee and dividend income	\$ 178,540	\$ 180,099	\$ 239,997	\$ 255,738	\$ 273,393	\$ 294,414	\$ 306,117
Interest expense	26,790	30,322	39,721	53,210	76,924	108,368	141,090
Net interest income	151,750	149,777	200,276	202,528	196,469	186,046	165,027
Provision for loan and lease losses	13,329	15,161	20,737	29,809	33,392	27,181	30,094
Noninterest income excluding securities gains	64,787	60,083	80,161	80,614	79,987	70,171	57,586
Securities gains, net	578	98	150	3,274	144	1,535	2,113
Noninterest expense	145,295	133,264	180,676	178,291	170,566	146,813	122,517
Income before income taxes	58,491	61,533	79,174	78,316	72,642	83,758	72,115
Net income	41,442	44,179	57,901	57,404	52,011	58,353	50,328
<b>Per common share</b>							
Basic earnings	\$ 1.24	\$ 1.30	\$ 1.72	\$ 1.67	\$ 1.54	\$ 1.81	\$ 1.52
Diluted earnings	1.23	1.29	1.71	1.66	1.53	1.80	1.51
Cash dividends paid	0.60	0.60	0.80	0.80	0.80	0.80	0.79
Book value at year-end	17.09	16.28	16.23	15.51	14.69	13.24	12.29
Tangible book value at year-end(1)	12.06	12.24	11.70	11.63	10.75	9.01	8.78
Average diluted common shares outstanding	33,626	34,159	33,924	34,509	33,903	32,427	33,421
Securities available for sale, at fair value	\$ 1,191,107	\$ 1,169,552	\$ 1,244,619	\$ 1,129,368	\$ 1,116,758	\$ 1,119,665	\$ 1,140,114
Securities held to maturity, at amortized cost	61,302	72,959	70,811	97,310	159,946	140,209	149,111
Loans and leases	4,251,119	3,708,090	3,800,203	3,610,006	3,645,398	3,651,911	3,455,851
Allowance for loan and lease losses	70,734	71,334	71,334	71,234	66,550	58,564	54,183
Assets	6,028,916	5,478,451	5,598,406	5,338,856	5,464,026	5,336,088	5,201,776
Deposits	4,806,015	4,265,064	4,367,149	4,134,352	4,093,046	3,923,258	3,872,093
Borrowings	579,931	604,054	627,358	604,730	786,097	914,123	868,776
Stockholders equity	576,661	538,848	538,110	533,572	505,123	431,845	397,300

(1) Calculated by subtracting goodwill and intangible assets from stockholders equity and dividing the difference by common shares outstanding.

**Table of Contents****Tangible Book Value:**

Year End Equity	576,661	538,848	538,110	533,572	505,123	431,845	397,300
Year End Intangibles	169,597	133,747	150,223	132,384	135,528	138,205	113,571
Common Shares Outstanding	33,743	33,103	33,157	34,503	34,385	32,606	32,326
	\$ 12.06	\$ 12.24	\$ 11.70	\$ 11.63	\$ 10.75	\$ 9.01	\$ 8.78

**Key ratios**

Return on average assets(a)	0.95%	1.09%	1.06%	1.05%	0.96%	1.11%	0.98%
Return on average equity(a)	9.97	10.95	10.73	10.92	10.90	14.16	12.60
Average equity to average assets	9.55	10.00	9.90	9.63	8.79	7.83	7.81
Net interest margin(b)	3.87	4.13	4.09	4.15	4.04	3.95	3.61
Dividend payout ratio	48.78	46.51	46.78	48.19	52.29	44.44	52.32
Tier 1 leverage	8.51	9.21	8.74	9.16	8.35	7.17	7.14
Tier 1 risk-based capital	10.82	12.00	11.56	12.44	11.34	9.75	9.79
Total risk-based capital	12.07	13.25	12.81	13.70	12.59	11.00	11.05

**Asset Quality**

Total nonperforming loans to loans and leases	1.07%	1.19%	1.09%	1.24%	1.13%	0.73%	0.88%
Total nonperforming assets to total assets	0.79%	0.82%	0.78%	0.86%	0.80%	0.51%	0.60%
Total allowance for loan and lease losses to nonperforming loans	155.04%	161.11%	171.97%	159.03%	161.25%	221.03%	177.19%
Allowance for loan and lease losses to loans and leases outstanding at end of year	1.66%	1.92%	1.88%	1.97%	1.83%	1.60%	1.57%
Net charge-offs to average loans and leases outstanding(a)	0.47%	0.55%	0.56%	0.69%	0.70%	0.64%	0.77%

(a) Annualized

(b) Calculated on a FTE basis

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**SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF**  
**ALLIANCE FINANCIAL CORPORATION**

The following tables set forth selected historical financial and other data of Alliance for the periods and at the dates indicated. The information is derived in part from and should be read together with the audited consolidated financial statements and notes thereto of Alliance incorporated by reference elsewhere in this joint proxy statement/prospectus. The information at and for the nine months ended September 30, 2012 and 2011 is unaudited. However, in the opinion of management of Alliance, all adjustments, consisting of normal recurring adjustments necessary for a fair presentation of the results of operations for the unaudited periods, have been made. The selected operating data presented below for the nine months ended September 30, 2012 and 2011 are not necessarily indicative of the results that may be expected for future periods.

	Nine months ended September 30,		2011	Year ended December 31,			
	2012	2011		2010	2009	2008	2007
	(In thousands)						
<b>Selected Financial Condition Data</b>							
Total assets	\$ 1,446,040	\$ 1,430,783	\$ 1,409,090	\$ 1,454,622	\$ 1,417,244	\$ 1,367,358	\$ 1,307,014
Loans & leases, net of unearned income	906,383	873,166	872,721	898,537	914,162	910,755	895,533
Allowance for credit losses	8,483	11,294	10,769	10,683	9,414	9,161	8,426
Securities available-for-sale	343,211	409,155	374,306	414,410	362,158	310,993	282,220
Goodwill	30,844	30,844	30,844	30,844	32,073	32,073	32,187
Intangible assets, net	7,029	7,916	7,694	8,638	10,075	11,528	13,183
Deposits	1,126,403	1,108,061	1,083,065	1,134,598	1,075,671	937,882	945,230
Borrowings	127,134	135,181	136,310	142,792	172,707	238,972	200,757
Junior subordinated obligations	25,774	25,774	25,774	25,774	25,774	25,774	25,774
Shareholders equity	148,378	143,137	143,997	133,131	123,935	144,481	115,560
Common shareholders equity	148,378	143,137	143,997	133,131	123,935	117,563	115,560
Investment assets under management (Market value, not included in total assets)	\$ 885,067	\$ 783,215	\$ 827,504	\$ 829,426	\$ 786,302	\$ 726,019	\$ 971,078

	Nine months ended September 30,		2011	Year ended December 31,			
	2012	2011		2010	2009	2008	2007
	(In thousands, except share and per share data)						
<b>Selected Operating Data</b>							
Interest income	\$ 36,659	\$ 42,817	\$ 55,759	\$ 60,342	\$ 63,962	\$ 67,964	\$ 71,032
Interest expense	6,859	9,531	12,459	16,053	20,581	30,267	38,550
Net interest income	29,800	33,286	43,300	44,289	43,381	37,697	32,482
Provision for credit losses	(300)	1,110	1,910	4,085	6,100	5,502	3,790
Net interest income after provision for credit losses	30,100	32,176	41,390	40,204	37,281	32,195	28,692
Non-interest income	13,585	14,940	20,002	20,505	20,811	20,360	21,292
Total operating income	43,685	47,116	61,392	60,709	58,092	52,555	49,984
Non-interest expense	33,618	32,941	43,581	44,480	43,208	39,378	37,638
Income before taxes	10,067	14,175	17,811	16,229	14,884	13,177	12,346
Income tax expense	2,224	3,723	4,514	4,605	3,436	2,820	2,869
Net income	7,843	10,452	13,297	11,624	11,448	10,357	9,477
Dividends and accretion of discount on preferred stock					1,084	47	



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Net income available to common shareholders	\$ 7,843	\$ 10,452	\$ 13,297	\$ 11,624	\$ 10,364	\$ 10,310	\$ 9,477
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**Table of Contents****Stock and Per Share Data**

Basic earnings per common share	\$ 1.64	\$ 2.20	\$ 2.80	\$ 2.49	\$ 2.25	\$ 2.23	\$ 1.98
Diluted earnings per common share	\$ 1.64	\$ 2.20	\$ 2.80	\$ 2.48	\$ 2.24	\$ 2.21	\$ 1.96
Basic weighted average common shares outstanding	4,700,624	4,664,070	4,670,052	4,619,718	4,514,268	4,542,957	4,710,530
Diluted weighted average common shares outstanding	4,700,624	4,671,688	4,675,212	4,640,096	4,543,069	4,565,709	4,754,045
Cash dividends declared	\$ 0.94	\$ 0.91	\$ 1.22	\$ 1.16	\$ 1.08	\$ 1.00	\$ 0.90
Dividend payout ratio(1)	57.3%	41.4%	43.6%	46.8%	48.2%	44.6%	45.5%
Common book value	\$ 31.03	\$ 30.15	\$ 30.19	\$ 28.15	\$ 26.86	\$ 25.67	\$ 24.53
Tangible common book value(2)	\$ 23.11	\$ 21.99	\$ 22.11	\$ 19.80	\$ 17.72	\$ 16.15	\$ 14.90

	Nine months ended September 30,		Year ended December 31,				
	2012	2011	2011	2010	2009	2008	2007
<b>Selected Financial and Other Data(3)</b>							
<b>Performance Ratios</b>							
Return on average assets	0.74%	0.95%	0.92%	0.81%	0.81%	0.78%	0.74%
Return on average equity	7.34%	10.47%	9.88%	9.17%	8.68%	8.77%	8.48%
Return on average common equity	7.34%	10.47%	9.88%	9.17%	8.46%	8.80%	8.48%
Return on average tangible common equity	10.02%	14.83%	13.91%	13.64%	13.02%	14.19%	14.77%
Non-interest income to total income(4)	31.31%	29.03%	30.14%	30.44%	30.06%	34.86%	39.29%
Efficiency ratio(5)	77.49%	70.24%	70.32%	69.86%	69.66%	68.04%	70.35%
<b>Rate/Yield Information</b>							
Yield on interest-earning assets (tax equivalent)	3.95%	4.44%	4.37%	4.78%	5.15%	5.88%	6.36%
Cost of interest-bearing liabilities	0.86%	1.12%	1.11%	1.42%	1.85%	2.87%	3.78%
Net interest margin (tax equivalent)(6)	3.24%	3.49%	3.43%	3.55%	3.55%	3.35%	3.02%

	Nine months ended September 30,		At or for the Year ended December 31,				
	2012	2011	2011	2010	2009	2008	2007
(Dollars in thousands)							
<b>Asset Quality Ratios</b>							
Nonperforming loans and leases	\$ 4,104	\$ 12,192	\$ 11,287	\$ 8,493	\$ 8,582	\$ 4,478	\$ 6,706
Nonperforming assets	\$ 5,089	\$ 12,864	\$ 11,772	\$ 9,145	\$ 9,027	\$ 5,135	\$ 6,935
Nonperforming loans and leases to total loans and leases	0.46%	1.40%	1.30%	0.95%	0.94%	0.49%	0.75%
Nonperforming assets to total assets	0.35%	0.90%	0.84%	0.63%	0.64%	0.38%	0.53%
Allowance for credit losses to nonperforming loans and leases	206.7%	92.6%	95.4%	125.8%	109.7%	204.6%	125.7%
Allowance for credit losses to total loans and leases	0.94%	1.30%	1.24%	1.19%	1.03%	1.01%	0.94%
Net charge-offs to average loans and leases(8)	0.30%	0.08%	0.21%	0.31%	0.63%	0.53%	0.27%
<b>Equity Ratios</b>							
Total common shareholders' equity to total assets	10.26%	10.00%	10.22%	9.15%	8.74%	8.60%	8.84%
Tangible common equity to tangible assets(9)	7.85%	7.50%	7.69%	6.62%	5.95%	5.59%	5.56%



**Table of Contents****Regulatory Ratios****Consolidated:**

Tier 1 (core) capital	9.43%	8.80%	9.09%	8.28%	7.55%	9.59%	7.53%
Tier 1 risk-based capital	14.82%	14.42%	14.72%	13.43%	12.07%	14.05%	10.64%
Tier 1 risk based common capital(7)	11.98%	11.52%	11.81%	10.56%	9.22%	11.24%	8.76%
Total risk-based capital	15.79%	15.68%	15.97%	14.65%	13.14%	15.08%	11.59%

**Bank:**

Tier 1 (core) capital	8.86%	8.25%	8.50%	7.72%	7.14%	8.97%	7.26%
Tier 1 risk-based capital	13.96%	13.58%	13.80%	12.56%	11.47%	13.15%	10.34%
Total risk-based capital	14.94%	14.84%	15.05%	13.79%	12.55%	14.19%	11.30%

- (1) Cash dividends declared per share divided by diluted earnings per share.
- (2) Common shareholders' equity less goodwill and intangible assets divided by common shares outstanding.
- (3) Averages presented are daily averages.
- (4) Non-interest income (net of realized gains and losses on securities and non-recurring items; primarily a gain on the sale of the insurance agency in 2010) divided by the sum of net interest income and non-interest income (net of realized gains and losses on securities and non-recurring items; primarily a gain on the sale of the insurance agency in 2010).
- (5) Non-interest expense divided by the sum of net interest income and non-interest income (net of realized gains and losses on securities and non-recurring items; primarily a gain on the sale of the insurance agency in 2010).
- (6) Tax equivalent net interest income divided by average interest-earning assets.
- (7) Tier 1 capital excluding junior subordinated obligations issued to unconsolidated trusts divided by total risk-adjusted assets.
- (8) Net charge-offs annualized where appropriate
- (9) Alliance uses certain non-GAAP U.S. generally accepted accounting principles or non-GAAP financial measures, such as the Tangible Common Equity to Tangible Assets ratio (TCE), to provide information for investors to effectively analyze financial trends of ongoing business activities, and to enhance comparability with peers across the financial sector. Alliance believes TCE is useful because it is a measure utilized by regulators, market analysts and investors in evaluating a company's financial condition and capital strength. TCE, as defined by Alliance, represents common equity less goodwill and intangible assets. A reconciliation from Alliance's GAAP Total Equity to Total Assets ratio to the Non-GAAP Tangible Common Equity to Tangible Assets ratio is presented below (dollars in thousands):

	Nine months ended September 30,		Year ended December 31,				
	2012	2011	2011	2010	2009	2008	2007
Total assets	\$ 1,446,040	\$ 1,430,783	\$ 1,409,090	\$ 1,454,622	\$ 1,417,244	\$ 1,367,358	\$ 1,307,014
Less: Goodwill and intangible assets, net	37,873	38,760	38,538	39,482	42,148	43,601	45,370
Tangible assets (non-GAAP)	1,408,167	1,392,023	1,370,552	1,415,140	1,375,096	1,323,757	1,261,644
Total Common Equity	148,378	143,137	143,997	133,131	123,935	117,563	115,560
Less: Goodwill and intangible assets, net	37,873	38,760	38,538	39,482	42,148	43,601	45,370
Tangible Common Equity (non-GAAP)	110,505	104,377	105,459	93,649	81,787	73,962	70,190
Total Equity/Total Assets	10.26%	10.00%	10.22%	9.15%	8.74%	8.60%	8.84%
Tangible Common Equity/Tangible Assets (non-GAAP)	7.85%	7.50%	7.69%	6.62%	5.95%	5.59%	5.56%

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**SELECTED UNAUDITED PRO FORMA COMBINED FINANCIAL DATA FOR NBT**

The following Selected Unaudited Pro Forma Condensed Combined Financial Data is based on the historical financial data of NBT and Alliance, and has been prepared to illustrate the effects of the merger. The Selected Unaudited Pro Forma Condensed Combined Financial Data does not give effect to any anticipated synergies, operating efficiencies or cost savings that may be associated with the merger. The Selected Unaudited Pro Forma Condensed Combined Financial Data also does not include any integration costs the companies may incur related to the merger as part of combining the operations of the companies.

The results of operations data below is presented as if the merger was completed on January 1, 2011 and the balance sheet data below is presented as if the merger was completed on September 30, 2012.

The unaudited pro forma financial data included in this joint proxy statement/prospectus is based on the historical financial statements of NBT and Alliance, and on publicly available information and certain assumptions that NBT and Alliance believe are reasonable, which are described in the notes to the Unaudited Pro Forma Condensed Combined Financial Statements included in this joint proxy statement/prospectus.

This data should be read in conjunction with the NBT and Alliance historical consolidated financial statements and accompanying notes in NBT's and Alliance's respective Quarterly Reports on Form 10-Q as of and for the nine months ended September 30, 2012 and NBT's Annual Report on Form 10-K and Alliance's Annual Report on Form 10-K as of and for the year ended December 31, 2011.

NBT has not performed detailed valuation analysis necessary to determine the fair market values of Alliance's assets to be acquired and liabilities to be assumed. Accordingly, the pro forma condensed combined financial data does not include an allocation of the purchase price, unless otherwise specified. The pro forma adjustments included in this joint proxy statement/prospectus are subject to change depending on changes in interest rates and the components of assets and liabilities and as additional information becomes available and additional analyses are performed. The final allocation of the purchase price will be determined after the merger is completed and after completion of thorough analyses to determine the fair value of Alliance's tangible and identifiable intangible assets and liabilities as of the date the merger is completed. Increases or decreases in the fair values of the net assets as compared with the information shown in the unaudited pro forma combined condensed consolidated financial information may change the amount of the purchase price allocated to goodwill and other assets and liabilities and may impact NBT's statement of operations due to adjustments in yield and/or amortization of the adjusted assets or liabilities. Any changes to Alliance's shareholders' equity, including results of operations from September 30, 2012 through the date the merger is completed, will also change the purchase price allocation, which may include the recording of a lower or higher amount of goodwill. The final adjustments may be materially different from the unaudited pro forma adjustments presented in this joint proxy statement/prospectus.

NBT anticipates that the merger with Alliance will provide the combined company with financial benefits that include reduced operating expenses. The pro forma information, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the benefits of expected cost savings or opportunities to earn additional revenue and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical benefits of the combined company would have been had the two companies been combined during these periods.

**The unaudited pro forma stockholders' equity and net income are qualified by the statements set forth under this caption and should not be considered indicative of the market value of NBT common stock or the actual or future results of operations of NBT for any period. Actual results may be materially different than the pro forma information presented.**

See also the Unaudited Pro Forma Condensed Combined Financial Statements and notes thereto beginning on page 106.

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## Selected Unaudited Pro Forma Condensed Combined Financial Data

<i>(In thousands, except per share data)</i>	<b>As of and for the Nine Months Ended September 30, 2012</b>	<b>For the Year Ended December 31, 2011</b>
<b><u>Consolidated Statements of Income</u></b>		
Total interest, fee and dividend income	\$ 212,165	\$ 290,803
Total interest expense	31,206	48,923
Net interest income	180,959	241,880
Provision for loan and lease losses	13,029	22,647
Net interest income after provision for loan and lease losses	167,930	219,233
Noninterest income	78,950	100,313
Noninterest expense	178,755	225,339
Income before income tax expense	68,125	94,207
Income tax expense	19,152	24,686
Net income	\$ 48,973	\$ 69,521
<b><u>Common Share Data</u></b>		
Basic earnings per share	\$ 1.12	\$ 1.58
Diluted earnings per share	1.11	1.57
Cash dividends per share	0.60	0.80
<b><u>Consolidated Balance Sheets</u></b>		
Total assets	\$ 7,550,468	
Securities available for sale, at fair value	1,532,413	
Securities held to maturity (fair value \$62,401)	61,302	
Loans and Leases	5,162,395	
Total Deposits	5,933,544	
Total Stockholders' equity	789,508	

**Table of Contents****UNAUDITED COMPARATIVE PER SHARE DATA**

The table below summarizes selected per share information about NBT and Alliance. NBT share information is presented on a pro forma basis to reflect the proposed merger with Alliance. NBT expects to issue approximately 10.3 million shares of its common stock in the merger.

The data in the table should be read together with the financial information and the financial statements of NBT and Alliance incorporated by reference in this joint proxy statement/prospectus. The pro forma per share data or combined results of operations per share data is presented as an illustration only. The data does not necessarily indicate the combined financial position per share or combined results of operations per share that would have been reported if the merger had occurred when indicated, nor is the data a forecast of the combined financial position or combined results of operations for any future period. No pro forma adjustments have been included in this joint proxy statement/prospectus to reflect potential effects of merger integration expenses, cost savings or operational synergies which may be obtained by combining the operations of NBT and Alliance or the costs of combining the companies and their operations.

It is further assumed that NBT will continue to pay a cash dividend after the completion of the merger at an annual rate of \$0.80 per share. The actual payment of dividends is subject to numerous factors, and no assurance can be given that NBT will pay dividends following the completion of the merger or that dividends will not be reduced in the future.

	<b>NBT Historical</b>	<b>Alliance Historical</b>	<b>Combined Pro Forma Amounts for NBT/Alliance</b>	<b>Pro Forma Alliance Equivalent Shares(4)</b>
<b>Book value per share:(1)</b>				
September 30, 2012	\$ 17.09	\$ 31.03	\$ 20.49	\$ 17.91
December 31, 2011(5)	\$ 16.23	\$ 30.19	\$ 19.80	\$ 17.27
<b>Shares outstanding:</b>				
September 30, 2012	33,742,677	4,782,185	44,071,350	
December 31, 2011(5)	33,156,710	4,769,241	43,485,383	
<b>Cash dividends paid per common share:(2)</b>				
Nine months ended September 30, 2012	\$ 0.60	\$ 0.94	\$ 0.60	\$ 0.60
Year ended December 31, 2011(5)	\$ 0.80	\$ 1.22	\$ 0.80	\$ 0.80
<b>Basic earnings (loss) per common share:(3)</b>				
Nine months ended September 30, 2012	\$ 1.24	\$ 1.64	\$ 1.29	\$ 1.12
Year ended December 31, 2011(5)	\$ 1.72	\$ 2.80	\$ 1.81	\$ 1.58
<b>Diluted earnings (loss) per common share:(3)</b>				
Nine months ended September 30, 2012	\$ 1.23	\$ 1.64	\$ 1.28	\$ 1.11
Year ended December 31, 2011(5)	\$ 1.71	\$ 2.80	\$ 1.80	\$ 1.57

- (1) The pro forma combined book value per share of NBT common stock is based on the pro forma combined common stockholders' equity for the merged entities divided by total pro forma common shares of the combined entity.
- (2) Pro forma cash dividends paid per share represent NBT's historical dividends per share.
- (3) The pro forma combined basic and diluted earnings per share of NBT common stock is based on the pro forma combined net income for the merged entities divided by the total pro forma basic and diluted common shares of the combined entity.
- (4) The Pro Forma Alliance Equivalent Shares are calculated by multiplying the amounts in the Combined Pro Forma for NBT/Alliance column times the 2.1779 exchange ratio, which represents the number of shares of NBT common stock an Alliance shareholder will receive for each share of Alliance common stock owned.
- (5) Historical information for Hampshire First Bank acquisition, which was completed on June 8, 2012, is not reflected in NBT's December 31, 2011 historical information; however, Hampshire First Bank is reflected in NBT's September 30, 2012 historical information.

**Table of Contents****COMPARATIVE MARKET PRICE DATA AND DIVIDEND INFORMATION**

NBT and Alliance common stock are listed and traded on the NASDAQ Global Select Market under the symbols NBTB and ALNC, respectively. The following table sets forth, for the calendar quarters indicated, the high and low sales prices per share of NBT and Alliance common stock, as reported on the NASDAQ Global Select Market. In addition, the table also sets forth the quarterly cash dividends per share declared by NBT and Alliance with respect to their common stock. On \_\_\_\_\_, the last practicable trading day prior to the date of this joint proxy statement/prospectus, there were \_\_\_\_\_ shares of NBT common stock outstanding and \_\_\_\_\_ shares of Alliance common stock outstanding.

<i>For the calendar</i>	<b>NBT</b>			<b>Alliance</b>		
	<b>High</b>	<b>Low</b>	<b>Dividends Declared</b>	<b>High</b>	<b>Low</b>	<b>Dividends Declared</b>
<i>quarterly period ended:</i>						
<b>2012</b>						
March 31, 2012	\$ 24.10	\$ 20.75	\$ 0.20	\$ 32.85	\$ 28.55	\$ 0.31
June 30, 2012	\$ 22.50	\$ 19.19	\$ 0.20	\$ 34.46	\$ 29.26	\$ 0.31
September 30, 2012	\$ 22.89	\$ 19.91	\$ 0.20	\$ 41.85	\$ 33.06	\$ 0.32
December 31, 2012 (up to November _____, 2012)						
<b>2011</b>						
March 31, 2011	\$ 24.98	\$ 21.55	\$ 0.20	\$ 33.89	\$ 29.50	\$ 0.30
June 30, 2011	\$ 23.32	\$ 20.62	\$ 0.20	\$ 33.44	\$ 27.34	\$ 0.30
September 30, 2011	\$ 23.25	\$ 17.05	\$ 0.20	\$ 32.83	\$ 26.37	\$ 0.31
December 31, 2011	\$ 22.63	\$ 17.47	\$ 0.20	\$ 32.93	\$ 27.62	\$ 0.31
<b>2010</b>						
March 31, 2010	\$ 23.99	\$ 19.15	\$ 0.20	\$ 29.50	\$ 26.25	\$ 0.28
June 30, 2010	\$ 25.96	\$ 20.21	\$ 0.20	\$ 31.00	\$ 26.78	\$ 0.28
September 30, 2010	\$ 23.06	\$ 19.27	\$ 0.20	\$ 31.55	\$ 27.57	\$ 0.30
December 31, 2010	\$ 24.96	\$ 21.41	\$ 0.20	\$ 33.40	\$ 29.11	\$ 0.30
<b>2009</b>						
March 31, 2009	\$ 28.37	\$ 15.42	\$ 0.20	\$ 21.78	\$ 14.96	\$ 0.26
June 30, 2009	\$ 25.22	\$ 20.49	\$ 0.20	\$ 29.28	\$ 18.45	\$ 0.26
September 30, 2009	\$ 24.16	\$ 20.57	\$ 0.20	\$ 30.35	\$ 24.26	\$ 0.28
December 31, 2009	\$ 23.59	\$ 19.43	\$ 0.20	\$ 30.49	\$ 20.51	\$ 0.28

The following table presents the last reported sale price of a share of NBT and Alliance common stock, as reported on the NASDAQ Global Select Market, on October 5, 2012, the last full trading day prior to the public announcement of the proposed merger, and on \_\_\_\_\_, the last practicable trading day prior to the date of this joint proxy statement/prospectus. The following table also presents the equivalent per share value of the NBT common stock that Alliance shareholders would receive for each share of their Alliance common stock if the merger was completed on those dates:

	<b>NBT Common Stock</b>	<b>Alliance Common Stock</b>	<b>Equivalent Value Per Share of Alliance Common Stock(1)</b>
October 5, 2012	\$ 22.15	\$ 39.41	\$ 48.24
_____, 2012	\$	\$	\$

(1) Calculated by multiplying the closing price of NBT common stock as of the specified date by the exchange ratio of 2.1779.



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The market value of the NBT common stock to be issued in exchange for shares of Alliance common stock upon the completion of the merger will not be known at the time of the Alliance or NBT special meeting. The above tables show only historical comparisons. Because the market prices of NBT common stock and Alliance common stock will likely fluctuate prior to the merger, these comparisons may not provide meaningful information to NBT and Alliance stockholders in determining whether to adopt and approve the merger agreement. Stockholders are encouraged to obtain current market quotations for NBT common stock and Alliance common stock and to review carefully the other information contained in this joint proxy statement/prospectus or incorporated by reference in this joint proxy statement/prospectus. See [Where You Can Find More Information](#) beginning on page 115.

The holders of NBT common stock receive dividends as and when declared by NBT's board of directors out of statutory surplus or from net profits. Following the completion of the merger, subject to approval and declaration by NBT's board of directors, NBT expects to continue paying quarterly cash dividends on a basis consistent with past practice. The current annualized rate of distribution on a share of NBT common stock is \$0.80 per share. However, the payment of dividends by NBT is subject to numerous factors, and no assurance can be given that NBT will pay dividends following the completion of the merger or that dividends will not be reduced in the future.

The merger agreement permits Alliance to continue to pay regular quarterly cash dividends with record and payment dates consistent with past practice prior to completion of the merger.

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**RISK FACTORS**

*In addition to the other information contained in or incorporated by reference into this joint proxy statement/prospectus, including the matters addressed under the caption Information Regarding Forward-Looking Statements on page 30, you should carefully consider the following risk factors in deciding whether to vote for adoption and approval of the merger agreement.*

**The value of the merger consideration will vary with changes in NBT's stock price.**

Upon completion of the merger, all of the outstanding shares of Alliance common stock will be converted into shares of NBT common stock. The ratio at which the shares will be converted is fixed at 2.1779 shares of NBT common stock for each share of Alliance common stock. There will be no adjustment for changes in the market price of either Alliance common stock or NBT common stock. Any change in the price of NBT common stock will affect the aggregate value Alliance shareholders will receive in the merger. Stock price changes may result from a variety of factors that are beyond the control of NBT and Alliance, including changes in businesses, operations and prospects, regulatory considerations, and general market and economic conditions. Accordingly, at the time of the special meeting, you will not know the exact value of the stock consideration to be received by Alliance shareholders in the merger. In addition, there will be a time period between the completion of the merger and the time at which former Alliance shareholders actually receive their shares of NBT common stock. Until shares are received, former Alliance shareholders may not be able to sell their NBT shares in the open market and, therefore, will not be able to avoid losses resulting from any decrease, or secure gains resulting from any increase, in the trading price of NBT common stock during this period.

**The merger agreement may be terminated in accordance with its terms and the merger may not be completed.**

The merger agreement is subject to a number of conditions which must be fulfilled in order to complete the merger. Those conditions include:

approval of the merger agreement by NBT and Alliance stockholders;

the receipt of required regulatory approvals;

absence of orders prohibiting the completion of the merger;

effectiveness of the registration statement of which this proxy statement/prospectus is a part;

the continued accuracy of the representations and warranties by both parties and the performance by both parties of their covenants and agreements; and

the receipt by both parties of legal opinions from their respective tax counsels.

In addition, Alliance may choose to terminate the merger agreement if the average daily closing sales prices of NBT's common stock during the 10 trading day period ending on the trading day immediately preceding the date of receipt of all required regulatory approvals or the date that NBT and Alliance stockholder approvals are obtained, whichever is later, is less than \$17.74 and NBT's common stock underperforms the NASDAQ Bank Index by more than 20%. Any such termination would be subject to the right of NBT to increase the amount of NBT common stock to be provided to Alliance shareholders pursuant to the formula prescribed in the merger agreement. See the section of this joint proxy statement/prospectus titled The Merger Agreement Termination of the Merger Agreement beginning on page 93 for a more complete discussion of the circumstances under which the merger agreement could be terminated.

**The need for regulatory approvals may delay the date of completion of the merger or may diminish the benefits of the merger.**

NBT is required to obtain the approvals of two bank regulatory agencies prior to completing the merger. Satisfying any requirements of these regulatory agencies may delay the date of completion of the merger. In



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addition, it is possible that, among other things, restrictions on the combined operations of the two companies, including divestitures, may be sought by governmental agencies as a condition to obtaining the required regulatory approvals. Any regulatory restriction may diminish the benefits of the merger to NBT. NBT is not required to complete the merger if a governmental agency, as part of its authorization or approval, imposes any term, condition or restriction upon NBT that NBT reasonably determines would prohibit or materially limit the ownership or operation by it of any material portion of Alliance's or NBT's business or assets, or that would compel NBT to dispose or hold separate any material portion of Alliance's or NBT's assets.

**If the merger is not completed, Alliance will have incurred substantial expenses without its shareholders realizing the expected benefits.**

Alliance has incurred substantial expenses in connection with the transactions described in this joint proxy statement/prospectus. If the merger is not completed, Alliance expects that it will have incurred approximately \$1.4 million in merger-related expenses. These expenses would likely have a material adverse impact on the operating results of Alliance because it would not have realized the expected benefits of the merger. There can be no assurance that the merger will be completed.

**Alliance's directors and executive officers have financial interests in the merger that may be different from, or in addition to, the interests of Alliance shareholders.**

In considering the information contained in this joint proxy statement/prospectus, you should be aware that Alliance's executive officers and directors have financial interests in the merger that are different from, or in addition to, the interests of Alliance shareholders generally. These interests include, among other things:

the accelerated vesting of the outstanding Alliance restricted stock awards in accordance with their existing terms;

the right to receive cash severance, bonus payments and additional supplemental retirement plan benefits under certain circumstances;

the right to continued health insurance coverage under certain circumstances;

the right to continued indemnification and liability insurance coverage by NBT after the merger for acts or omissions occurring before the merger; and

the right to three seats on the NBT board of directors, and any related compensation for such services, if applicable.

Also, NBT entered into an agreement with Jack H. Webb regarding his continuing role with the combined company following the merger. See the section of this joint proxy statement/prospectus titled "Interests of Alliance Directors and Executive Officers in the Merger" beginning on page 60 for a discussion of these financial interests.

**Alliance will be subject to business uncertainties and contractual restrictions while the merger is pending.**

Uncertainty about the effect of the merger on employees, suppliers and customers may have an adverse effect on Alliance. These uncertainties may impair Alliance's ability to attract, retain and motivate key personnel until the merger is completed, and could cause customers, suppliers and others who deal with Alliance to seek to change existing business relationships with Alliance. Alliance employee retention and recruitment may be particularly challenging prior to the effective time of the merger, as employees and prospective employees may experience uncertainty about their future roles with the combined company.

The pursuit of the merger and the preparation for the integration may place a significant burden on management and internal resources. Any significant diversion of management attention away from ongoing business and any difficulties encountered in the transition and integration process could affect the financial



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results of Alliance and, following the merger, the combined company. In addition, the merger agreement requires that Alliance operate in the ordinary course of business consistent with past practice and restricts Alliance from taking certain actions prior to the effective time of the merger or termination of the merger agreement. These restrictions may prevent Alliance from pursuing attractive business opportunities that may arise prior to the completion of the merger.

**The unaudited pro forma financial data included in this document is preliminary and NBT's actual financial position and results of operations after the merger may differ materially from the unaudited pro forma financial data included in this document.**

The unaudited *pro forma* financial data in this document is presented for illustrative purposes only and is not necessarily indicative of what the combined company's actual financial position or results of operations would have been had the merger been completed on the dates indicated. The *pro forma* financial data reflect adjustments, which are based upon preliminary estimates, to record Alliance's identifiable assets acquired and liabilities assumed at fair value and the resulting goodwill recognized. The purchase price allocation reflected in this document is preliminary and final allocation of the purchase price will be based upon the actual purchase price and the fair value of the assets and liabilities of Alliance as of the date of the completion of the merger. As a result, the final purchase accounting adjustments may differ materially from the *pro forma* adjustments reflected in this document.

**The termination fee and the restrictions on solicitation contained in the merger agreement may discourage other companies from trying to acquire Alliance.**

Until the completion of the merger, Alliance is prohibited from soliciting, initiating, encouraging, or with some exceptions, considering any inquiries or proposals that may lead to a proposal or offer for a merger or other business combination transaction with any person other than NBT. In addition, Alliance has agreed to pay a termination fee of approximately \$9.3 million to NBT in specified circumstances. These provisions could discourage other companies from trying to acquire Alliance even though those other companies might be willing to offer greater value to Alliance shareholders than NBT has offered in the merger. The payment of the termination fee also could have a material adverse effect on Alliance's results of operations.

**The fairness opinion obtained by each of NBT and Alliance from its financial advisor will not reflect changes in circumstances subsequent to the date of the fairness opinion.**

KBW, Alliance's financial advisor in connection with the proposed merger, orally delivered to the board of directors of Alliance its opinion, which was subsequently confirmed in writing dated as of October 7, 2012. AFG, NBT's financial advisor in connection with the proposed merger, orally delivered to the board of directors of NBT its opinion, which was subsequently confirmed in writing dated as of October 7, 2012. The opinions stated that as of such dates, and based upon and subject to the factors and assumptions set forth therein, the exchange ratio was fair to the Alliance shareholders and NBT, respectively, from a financial point of view. The opinions do not reflect changes that may occur or may have occurred after the dates of the opinions, including changes to the operations and prospects of NBT or Alliance, changes in general market and economic conditions or regulatory or other factors. Any such changes, or changes in other factors on which the opinions were based, may materially alter or affect the relative values of NBT and Alliance.

**NBT may fail to realize the anticipated benefits of the merger.**

The success of the merger will depend on, among other things, NBT's ability to realize anticipated cost savings and to combine the businesses of NBT and Alliance in a manner that does not materially disrupt the existing customer relationships of Alliance nor result in decreased revenues from any loss of customers. The success of the merger will also depend upon the integration of employees, systems, operating procedures and information technologies, as well as the retention of key employees. If NBT is not able to successfully achieve these objectives, the anticipated benefits of the merger may not be realized fully or at all or may take longer to realize than expected.

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NBT and Alliance have operated and, until the completion of the merger, will continue to operate, independently. It is possible that the integration process could result in the loss of key employees, the disruption of Alliance's ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the ability of NBT to maintain relationships with customers and employees or to achieve the anticipated benefits of the merger.

**Unanticipated costs relating to the merger could reduce NBT's future earnings per share.**

NBT believes that it has reasonably estimated the likely costs of integrating the operations of NBT and Alliance, and the incremental costs of operating as a combined company. However, it is possible that unexpected transaction costs such as taxes, fees or professional expenses or unexpected future operating expenses such as increased personnel costs or increased taxes, as well as other types of unanticipated adverse developments, could have a material adverse effect on the results of operations and financial condition of the combined company. If unexpected costs are incurred, the merger could have a dilutive effect on the combined company's earnings per share. In other words, if the merger is completed, the earnings per share of NBT common stock could be less than they would have been if the merger had not been completed.

**After the merger is completed, Alliance shareholders will become NBT stockholders and will have different rights that may be less advantageous than their current rights.**

Upon completion of the merger, Alliance shareholders will become NBT stockholders. Differences in Alliance's certificate of incorporation and bylaws and NBT's certificate of incorporation and bylaws will result in changes to the rights of Alliance shareholders who become NBT stockholders. For more information, see "Comparison of Rights of Stockholders of Alliance and NBT," beginning on page 97 of this document.

**Both Alliance and NBT stockholders will have a reduced ownership and voting interest after the merger and will exercise less influence over management of the combined organization.**

Each of Alliance and NBT stockholders currently have the right to vote in the election of their respective board of directors and on various other matters affecting their respective company. After the merger, each Alliance shareholder will hold a percentage ownership of the combined organization that is much smaller than such shareholder's current percentage ownership of Alliance. Specifically, Alliance shareholders will hold in the aggregate approximately 24% of the outstanding shares of NBT common stock. Furthermore, because shares of NBT common stock will be issued to existing Alliance shareholders, current NBT stockholders will have their ownership and voting interests diluted approximately 24%. Accordingly, both Alliance and NBT stockholders will have less influence on the management and policies of the combined company than they now have on the management and policies of their respective company.

**The market price of NBT common stock after the merger may be affected by factors different from those affecting the shares of NBT or Alliance currently.**

The businesses of NBT and Alliance differ and, accordingly, the results of operations of the combined company and the market price of the combined company's shares of common stock may be affected by factors different from those currently affecting the independent results of operations and market prices of common stock of each of NBT and Alliance. For a discussion of the businesses of NBT and Alliance and of certain risk factors to consider in connection with those businesses, see the documents incorporated by reference in this joint proxy statement/prospectus and referred to in the section of this joint proxy statement/prospectus titled "Where You Can Find More Information" beginning on page 115 of this document.

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**INFORMATION REGARDING FORWARD-LOOKING STATEMENTS**

This joint proxy statement/prospectus, including information included or incorporated by reference in this joint proxy statement/prospectus, may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements about the benefits of the merger between NBT and Alliance, including future financial and operating results and performance; statements about NBT's and Alliance's plans, objectives, expectations and intentions with respect to future operations, products and services; and other statements identified by words such as expects, anticipates, intends, plans, believes, seeks, estimates, will, should, may or words of similar meaning. These forward-looking statements are based upon the current beliefs and expectations of NBT's and Alliance's management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are difficult to predict and generally beyond the control of NBT and Alliance. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. Actual results may differ materially from the anticipated results discussed in these forward-looking statements.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

the failure of the parties to satisfy the closing conditions in the merger agreement in a timely manner or at all;

the failure of the stockholders of NBT and/or Alliance to adopt and approve the merger agreement;

the failure to obtain governmental approvals of the merger or the imposition of adverse regulatory conditions in connection with regulatory approvals of the merger;

disruptions to the parties' businesses as a result of the announcement and pendency of the merger;

NBT's and Alliance's business may not be combined successfully, or such combination may take longer, cost more or otherwise be more difficult than expected;

operating costs, customer losses and business disruption following the merger, including adverse effects of relationships with employees, may be greater than expected;

the risk that the future business operations of Alliance or NBT will not be successful;

the risk that the anticipated benefits, cost savings and any other savings from the merger may not be fully realized or may take longer than expected to realize;

the risks associated with continued diversification of assets and adverse changes to credit quality;

changes in general, national or regional economic conditions;

unprecedented volatility in the global economy;



acts of war or terrorism;

political instability;

changes in loan default and charge-off rates;

changes in the demand for loan products or for other financial services;

reductions in deposit levels necessitating increased borrowings to fund loans and investments;

changes in interest rates or credit availability;

changes in inflation, the securities markets and in monetary fluctuations;

possible changes in regulation resulting from or relating to financial reform legislation;

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changes in tax policies, rates and regulations of federal, state and local tax authorities;

the effects of and changes in trade and monetary and fiscal policies and laws, including the interest rate policies of the Federal Reserve Board;

changes in accounting and regulatory guidance applicable to banks;

the resolution of legal proceedings or regulatory or other governmental inquiries and the results of regulatory examinations or reviews;

greater than expected costs or difficulties related to the opening of new branch offices or the integration of new products and lines of business, or both;

general economic conditions in the areas in which NBT and Alliance operate including volatility and disruption in national and international financial markets;

impact of natural disasters in geographic markets in which NBT and Alliance do business;

changes in levels of income and expense in non-interest income and expense-related activities; and

competition from other financial services companies in our markets and its effect on pricing, spending, third-party relationships and revenues.

Additional factors that could cause NBT's and Alliance's results to differ materially from those described in the forward-looking statements can be found in the section of this joint proxy statement/prospectus titled "Risk Factors" beginning on page 26 and NBT's and Alliance's filings with the SEC, including NBT's Annual Report on Form 10-K for the fiscal year ended December 31, 2011, and Alliance's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this joint proxy statement/prospectus or the date of any document incorporated by reference in this joint proxy statement/prospectus. All subsequent written and oral forward-looking statements concerning the merger or other matters addressed in this joint proxy statement/prospectus and attributable to NBT or Alliance or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable law or regulation, NBT and Alliance undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this joint proxy statement/prospectus or to reflect the occurrence of unanticipated events.

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**INFORMATION ABOUT THE COMPANIES**

**NBT Bancorp Inc.**

NBT is a registered financial holding company incorporated in Delaware in 1986, with its principal headquarters located in Norwich, New York. NBT is the parent holding company of NBT Bank, N.A., NBT Financial Services, Inc. (which operates EPIC Advisors, Inc.), and NBT Holdings, Inc. (which operates Mang Insurance Agency, LLC), NBT Capital Trust I, NBT Statutory Trust I and NBT Statutory Trust II.

NBT Bank is a national bank with 137 locations, including 95 NBT Bank offices located in upstate New York, northwestern Vermont and western Massachusetts, 35 Pennstar Bank offices located in northeastern Pennsylvania, and 5 Hampshire First Bank offices located in southern New Hampshire. NBT Bank provides its retail consumers and business customers with banking services including residential and commercial real estate loans, commercial business loans, consumer loans, retail and commercial deposit products and various trust services, as well as investment, pension, estate planning and employee benefit administrative services.

At September 30, 2012, NBT had \$6.0 billion in assets, \$4.8 billion in deposits, and \$577.0 million of stockholders' equity.

NBT's principal executive offices are located at 52 South Broad Street, Norwich, New York 13815, its phone number is (607) 337-2265 and its website is [www.nbtbancorp.com](http://www.nbtbancorp.com). Information that is included on this website does not constitute part of this joint proxy statement/prospectus. NBT common stock is traded on the NASDAQ Global Select Market under the symbol NBTB.

**Alliance Financial Corporation**

Alliance is a New York corporation and a registered financial holding company formed on November 25, 1998, as a result of the merger of Cortland First Financial Corporation and Oneida Valley Bancshares, Inc., which were incorporated on May 30, 1986 and October 31, 1984, respectively. Alliance is the holding company of Alliance Bank, which was formed as the result of the merger of First National Bank of Cortland and Oneida Valley National Bank in 1999.

Alliance Bank provides financial services from 29 retail branches and customer service facilities in the New York counties of Cortland, Madison, Oneida, Onondaga, Oswego, and from a Trust Administration Center in Buffalo, New York. Primary services include commercial, retail and municipal banking, consumer finance, mortgage financing and servicing, and trust and investment management services. Alliance Bank has a substantially wholly owned subsidiary, Alliance Preferred Funding Corp., which is engaged in residential real estate activity, and a wholly owned subsidiary, Alliance Leasing, Inc., which is engaged in commercial leasing activity in over 30 states.

At September 30, 2012, Alliance had \$1.4 billion in assets, \$1.1 billion in deposits, and \$148.4 of shareholders' equity.

Alliance's principal executive offices are located on the 18th Floor, 120 Madison Street, Syracuse, New York 13202. Alliance's telephone number is (315) 475-2100 and its website is [www.alliancefinancialcorporation.com](http://www.alliancefinancialcorporation.com). Information that is included on this website does not constitute part of this joint proxy statement/prospectus. Alliance common stock is traded on the NASDAQ Global Select Market under the symbol ALNC.

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**THE SPECIAL MEETING OF ALLIANCE SHAREHOLDERS**

This joint proxy statement/prospectus is being furnished to holders of Alliance common stock for use at a special meeting of Alliance s shareholders and any adjournments or postponements thereof.

**Date, Time and Place of the Special Meeting**

The special meeting of shareholders of Alliance will be held at the \_\_\_\_\_, on \_\_\_\_\_, at \_\_\_\_\_, local time.

**Purpose of the Special Meeting**

At the special meeting, Alliance s shareholders as of the record date will be asked to consider and vote on the following proposals:

1. to adopt the Agreement and Plan of Merger by and between NBT and Alliance, dated as of October 7, 2012, pursuant to which Alliance will merge with and into NBT with NBT surviving;
2. an advisory (non-binding) proposal to approve the golden parachute compensation payable to the named executive officers of Alliance in connection with the merger;
3. to approve one or more adjournments of the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting, or at any adjournment or postponement of that meeting, to adopt the merger agreement; and
4. such other matters as may properly come before the special meeting or any adjournment or postponement of that meeting.

**Recommendation of the Alliance Board of Directors**

The Alliance board of directors has unanimously approved the merger agreement and recommends that you vote your shares as follows:

**FOR** adoption of the merger agreement;

**FOR** approval, on an advisory (non-binding) basis, of the golden parachute compensation payable to the named executive officers of Alliance in connection with the merger; and

**FOR** the proposal to adjourn the special meeting, if necessary, to permit further solicitation of proxies.

**Record Date; Outstanding Shares; Shares Entitled to Vote**

Only holders of record of Alliance common stock at the close of business on the record date of \_\_\_\_\_, 2012, are entitled to notice of and to vote at Alliance s special meeting. As of the record date, there were \_\_\_\_\_ shares of Alliance common stock outstanding, held of record by \_\_\_\_\_ shareholders. Each holder of Alliance common stock is entitled to one vote for each share of Alliance common stock owned as of the record date.

The list of shareholders entitled to vote at the special meeting will be available for review at the special meeting upon request by any Alliance shareholder entitled to vote at the special meeting.

**Quorum; Vote Required**

A quorum of Alliance shareholders is necessary to hold a valid meeting. If the holders of at least a majority of the total number of the outstanding shares of Alliance common stock entitled to vote are represented in person or by proxy at the special meeting, a quorum will exist. Alliance will include proxies marked as abstentions and broker non-votes in determining the number of shares present at the special meeting.

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The affirmative vote of the holders of at least two-thirds of the outstanding shares of Alliance common stock is required to adopt the merger agreement. The affirmative vote of the holders of at least a majority of votes cast is required to approve, on an advisory (non-binding) basis, the golden parachute compensation payable to the named executive officers of Alliance in connection with the merger, and the proposal to adjourn the special meeting.

Abstentions and broker non-votes will have the same effect as a vote **AGAINST** the adoption of the merger agreement, but will have no effect on the other proposals.

**Share Ownership of Management; Voting Agreement**

As of the record date, the directors and executive officers of Alliance and their affiliates collectively owned \_\_\_\_\_ shares of Alliance common stock, or approximately \_\_\_\_\_ % of Alliance's outstanding shares. Alliance currently expects that each of its directors and executive officers and their affiliates will vote their shares of Alliance common stock **FOR** adoption of the merger agreement and the other proposals described in the notice for the special meeting, although, except for Alliance's Chairman, Chief Executive Officer and President, Jack H. Webb, none of them has entered into an agreement requiring them to do so.

Mr. Webb has entered into a voting agreement with NBT that requires Mr. Webb to vote all of his shares of Alliance common stock beneficially owned by him in favor of adoption of the merger agreement. As of the record date, Mr. Webb held 56,317 shares of Alliance common stock, which represented approximately \_\_\_\_\_ % of the outstanding shares of Alliance common stock as of the record date. Mr. Webb was not paid any additional consideration in connection with the execution of the voting agreement. In addition, NBT holds 39,693 shares of Alliance common stock, which represented approximately \_\_\_\_\_ % of the outstanding shares of Alliance common stock as of the record date.

When considering the Alliance board of directors' recommendation that you vote in favor of the adoption of the merger agreement, you should be aware that the executive officers and directors of Alliance have financial interests in the merger that may be different from, or in addition to, the interests of shareholders of Alliance. See "The Merger - Interests of Alliance's Directors and Executive Officers in the Merger" beginning on page 60.

**Voting of Proxies**

If you are an Alliance shareholder, the Alliance board of directors requests that you return the proxy card accompanying this document for use at the Alliance special meeting. Please complete, date and sign the proxy card and promptly return it in the enclosed postage-paid envelope or submit a proxy through the Internet or by telephone as described in the enclosed instructions.

All properly signed proxies received prior to the special meeting and not revoked before the vote at the special meeting will be voted at the special meeting according to the instructions indicated on the proxies or, **if no instructions are given, the shares will be voted FOR adoption of the merger agreement, FOR approval, on an advisory (non-binding) basis, of the golden parachute compensation payable to the named executive officers of Alliance in connection with the merger, and FOR an adjournment of the special meeting to solicit additional proxies, if necessary.**

If you have any questions concerning the merger, the other meeting matters or this joint proxy statement/prospectus or need assistance voting your shares, please contact Alliance's proxy solicitor at the address or telephone number listed below:

Regan & Associates, Inc.

505 Eighth Avenue, Suite 800

New York, New York 10018

Banks and brokers should call: (800) 737-3426

Shareholders should call: (800) 737-3426

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If you hold your shares of Alliance common stock in street name, meaning in the name of a bank, broker or other nominee who is the record holder, you must either direct the record holder of your shares of Alliance common stock how to vote your shares or obtain a proxy from the record holder to vote your shares in person at the special meeting.

If you fail to properly submit your proxy card or to instruct your broker, bank or other nominee to vote your shares of Alliance common stock and you do not attend the special meeting and vote your shares in person, your shares will not be voted. This will have the same effect as a vote **AGAINST** adoption of the merger agreement.

### **How to Revoke Your Proxy**

If you are an Alliance shareholder, you may revoke your proxy at any time by taking any of the following actions before your proxy is voted at the special meeting:

delivering a written notice bearing a date later than the date of your proxy card to the Secretary of Alliance, stating that you revoke your proxy;

submitting a new signed proxy card bearing a later date or voting again by telephone or Internet (any earlier proxies will be revoked automatically); or

attending the special meeting and voting in person, although attendance at the special meeting will not, by itself, revoke a proxy. You should send any notice of revocation to Judy A. Schultz, Secretary, at the following address:

Alliance Financial Corporation 120 Madison Street Syracuse, New York 13202

If you have instructed a bank, broker or other nominee to vote your shares, you must follow the directions you receive from your bank, broker or other nominee to change your vote.

### **Voting in Person**

If you are an Alliance shareholder and plan to attend the Alliance special meeting and wish to vote in person, you will be given a ballot at the special meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the special meeting, you must obtain a proxy from the broker, bank or other nominee in order to vote your shares.

Whether or not you plan to attend the special meeting, Alliance requests that you complete, sign, date and return the enclosed proxy card as soon as possible in the enclosed postage-paid envelope, or submit a proxy through the Internet or by telephone as described in the instructions accompanying this joint proxy statement/prospectus. This will not prevent you from voting in person at the special meeting but will assure that your vote is counted if you are unable to attend.

### **Abstentions and Broker Non-Votes**

Only shares affirmatively voted for adoption of the merger agreement, including shares represented by properly executed proxies that do not contain voting instructions, will be counted as votes **FOR** adoption of the merger agreement, **FOR** approval, on an advisory (non-binding) basis, of the golden parachute compensation payable to the named executive officers of Alliance in connection with the merger, and **FOR** approval of the proposal to adjourn the special meeting.

Brokers who hold shares of Alliance common stock in street name for a customer who is the beneficial owner of those shares may not exercise voting authority on the customer's shares with respect to the actions





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proposed in this document without specific instructions from the customer. Proxies submitted by a broker that do not exercise this voting authority are referred to as broker non-votes. If your broker holds your Alliance stock in street name, your broker will vote your shares only if you provide instructions on how to vote by filling out the voter instruction form sent to you by your broker with this document.

Accordingly, you are urged to mark and return the enclosed proxy card to indicate your vote, or fill out the voter instruction form, if applicable.

Abstentions and broker non-votes will be included in determining the presence of a quorum at the special meeting. Abstentions and broker non-votes will have the same effect as voting **AGAINST** the proposal to adopt the merger agreement, but will have no effect on the other proposals.

**Proxy Solicitation**

If you are an Alliance shareholder, the enclosed proxy is solicited by and on behalf of the Alliance board of directors. Alliance will pay the expenses of soliciting proxies to be voted at the special meeting, except that Alliance and NBT have each agreed to share equally the costs of preparing, printing, filing and mailing this document, other than attorneys' and accountants' fees which will be paid by the party incurring the expense. Following the original mailing of the proxies and other soliciting materials, Alliance and its agents also may solicit proxies by mail, telephone, facsimile or in person. No additional compensation will be paid to directors, officers or other employees of Alliance for making these solicitations. Alliance has retained a proxy solicitation firm, Regan & Associates, Inc., to aid it in the solicitation process. Alliance will pay a fee of approximately \$16,000 plus out-of-pocket expenses to Regan & Associates. Alliance intends to reimburse persons who hold Alliance common stock of record but not beneficially, such as brokers, custodians, nominees and fiduciaries, for their reasonable expenses in forwarding copies of proxies and other soliciting materials to, and requesting authority for the exercise of proxies from, the persons for whom they hold the shares.

This joint proxy statement/prospectus and the proxy card are first being sent to Alliance shareholders on or about \_\_\_\_\_, 2012.

**Stock Certificates**

If you are an Alliance shareholder, you should not send in any certificates representing Alliance common stock. Following the completion of the merger, you will receive separate instructions for the exchange of your certificates representing Alliance common stock.

**Proposal to Approve Adjournment of the Special Meeting**

Alliance is also submitting a proposal for consideration at the special meeting to authorize the named proxies to approve one or more adjournments of the special meeting if there are not sufficient votes to adopt the merger agreement at the time of the special meeting. Even though a quorum may be present at the special meeting, it is possible that Alliance may not have received sufficient votes to adopt the merger agreement by the time of the special meeting. In that event, Alliance would need to adjourn the special meeting in order to solicit additional proxies. The adjournment proposal relates only to an adjournment of the special meeting for purposes of soliciting additional proxies to obtain the requisite shareholder approval to adopt the merger agreement. Any other adjournment of the special meeting (e.g., an adjournment required because of the absence of a quorum) would be voted upon pursuant to the discretionary authority granted by the proxy card. If the special meeting is adjourned, Alliance is not required to give notice of the time and place of the adjourned meeting unless the board of directors fixes a new record date for the special meeting.

The proposal to approve one or more adjournments of the special meeting requires the affirmative vote of holders of a majority of the votes cast on the proposal. The Alliance board of directors retains full authority to the extent set forth in Alliance's bylaws and New York law to adjourn the special meeting for any other purpose, or to postpone the special meeting before it is convened, without the consent of any Alliance shareholders.

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**THE SPECIAL MEETING OF NBT STOCKHOLDERS**

This joint proxy statement/prospectus is being furnished to holders of NBT common stock for use at a special meeting of NBT stockholders and any adjournments or postponements thereof.

**Date, Time and Place of the Special Meeting**

The special meeting of stockholders of NBT will be held at the \_\_\_\_\_, on \_\_\_\_\_, at \_\_\_\_\_, local time.

**Purpose of the Special Meeting**

At the special meeting, NBT stockholders as of the record date will be asked to consider and vote on the following proposals:

1. to adopt and approve the Agreement and Plan of Merger by and between NBT and Alliance, dated as of October 7, 2012, pursuant to which Alliance will merge with and into NBT with NBT surviving;
2. to approve one or more adjournments of the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting, or at any adjournment or postponement of that meeting, to adopt and approve the merger agreement; and
3. such other matters as may properly come before the special meeting or any adjournment or postponement of that meeting.

**Recommendation of the NBT Board of Directors**

The NBT board of directors has unanimously approved the merger agreement and recommends that you vote your shares as follows:

**FOR** adoption and approval of the merger agreement; and

**FOR** the proposal to adjourn the special meeting, if necessary, to permit further solicitation of proxies.

**Record Date; Outstanding Shares; Shares Entitled to Vote**

Only holders of record of NBT common stock at the close of business on the record date of \_\_\_\_\_ are entitled to notice of and to vote at NBT's special meeting. As of the record date, there were \_\_\_\_\_ shares of NBT common stock outstanding, held of record by \_\_\_\_\_ stockholders. Each holder of NBT common stock is entitled to one vote for each share of NBT common stock owned as of the record date.

A list of NBT stockholders as of the record date will be available for review by any NBT stockholder at NBT's principal executive offices during regular business hours beginning 10 days prior to the date of the special meeting and continuing through the special meeting.

**Quorum; Vote Required**

A quorum of NBT stockholders is necessary to hold a valid meeting. If the holders of at least a majority of the total number of the outstanding shares of NBT common stock entitled to vote are represented in person or by proxy at the special meeting, a quorum will exist. NBT will include proxies marked as abstentions and broker non-votes in determining the number of shares present at the special meeting.

The affirmative vote of the holders of at least a majority of the shares of NBT common stock outstanding and entitled to vote at the special meeting is required to adopt and approve the merger agreement. The



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affirmative vote of the holders of at least a majority of the shares present and entitled to vote at the special meeting is required to approve the proposal to adjourn the special meeting.

Abstentions and broker non-votes will have the same effect as a vote **AGAINST** the adoption and approval of the merger agreement. Abstentions will have the same effect as a vote **AGAINST** the adjournment proposal, but broker non-votes will have no effect on that proposal.

### **Share Ownership of Management**

As of the record date, the directors and executive officers of NBT and their affiliates collectively owned \_\_\_\_\_ shares of NBT common stock, or approximately \_\_\_\_\_ % of NBT's outstanding shares. NBT currently expects that each of its directors and executive officers and their affiliates will vote their shares of NBT common stock **FOR** adoption and approval of the merger agreement, although none of them has entered into an agreement requiring them to do so.

### **Voting of Proxies**

If you are an NBT stockholder, the NBT board of directors requests that you return the proxy card accompanying this document for use at the NBT special meeting. Please complete, date and sign the proxy card and promptly return it in the enclosed postage-paid envelope or submit a proxy through the Internet or by telephone as described in the enclosed instructions.

All properly signed proxies received prior to the special meeting and not revoked before the vote at the special meeting will be voted at the special meeting according to the instructions indicated on the proxies or, **if no instructions are given, the shares will be voted FOR adoption and approval of the merger agreement and FOR an adjournment of the special meeting to solicit additional proxies, if necessary.**

If you have any questions concerning the merger, the other meeting matters or this joint proxy statement/prospectus or need assistance voting your shares, please contact NBT's proxy solicitor at the address or telephone number listed below:

AST Phoenix Advisors

110 Wall Street, 27th Floor

New York, New York 10005

Banks and brokers should call: (212) 493-3910

Shareholders should call: (212) 493-3910

If you hold your shares of NBT common stock in \_\_\_\_\_ street name, meaning in the name of a bank, broker or other nominee who is the record holder, you must either direct the record holder of your shares of NBT common stock how to vote your shares or obtain a proxy from the record holder to vote your shares in person at the special meeting.

If you fail to properly submit your proxy card or to instruct your broker, bank or other nominee to vote your shares of NBT common stock and you do not attend the special meeting and vote your shares in person, your shares will not be voted. This will have the same effect as a vote **AGAINST** adoption and approval of the merger agreement.

### **How to Revoke Your Proxy**

If you are an NBT stockholder, you may revoke your proxy at any time by taking any of the following actions before your proxy is voted at the special meeting:

delivering a written notice bearing a date later than the date of your proxy card to the Secretary of NBT, stating that you revoke your proxy;



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submitting a new signed proxy card bearing a later date or voting again by telephone or Internet (any earlier proxies will be revoked automatically); or

attending the special meeting and voting in person, although attendance at the special meeting will not, by itself, revoke a proxy. You should send any notice of revocation to F. Sheldon Prentice, Secretary, at the following address:

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

If you have instructed a bank, broker or other nominee to vote your shares, you must follow the directions you receive from your bank, broker or other nominee to change your vote.

### **Voting in Person**

If you are an NBT stockholder and plan to attend the NBT special meeting and wish to vote in person, you will be given a ballot at the special meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the special meeting, you must obtain a proxy from the broker, bank or other nominee in order to vote your shares.

Whether or not you plan to attend the special meeting, NBT requests that you complete, sign, date and return the enclosed proxy card as soon as possible in the enclosed postage-paid envelope, or submit a proxy through the Internet or by telephone as described in the instructions accompanying this joint proxy statement/ prospectus. This will not prevent you from voting in person at the special meeting but will assure that your vote is counted if you are unable to attend.

### **Abstentions and Broker Non-Votes**

Only shares affirmatively voted for adoption and approval of the merger agreement, including shares represented by properly executed proxies that do not contain voting instructions, will be counted as votes **FOR** adoption and approval of the merger agreement and **FOR** approval of the proposal to adjourn the special meeting.

Brokers who hold shares of NBT common stock in street name for a customer who is the beneficial owner of those shares may not exercise voting authority on the customer's shares with respect to the actions proposed in this document without specific instructions from the customer. Proxies submitted by a broker that do not exercise this voting authority are referred to as broker non-votes. If your broker holds your NBT stock in street name, your broker will vote your shares only if you provide instructions on how to vote by filling out the voter instruction form sent to you by your broker with this document.

Accordingly, you are urged to mark and return the enclosed proxy card to indicate your vote, or fill out the voter instruction form, if applicable.

Abstentions and broker non-votes will be included in determining the presence of a quorum at the special meeting. Abstentions and broker non-votes will have the same effect as voting **AGAINST** the proposal to adopt and approve the merger agreement. Abstentions will have the same effect as a vote **AGAINST** the adjournment proposal, but broker non-votes will have no effect on that proposal.

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**Proxy Solicitation**

If you are an NBT stockholder, the enclosed proxy is solicited by and on behalf of the NBT board of directors. NBT will pay the expenses of soliciting proxies to be voted at the special meeting, except that Alliance and NBT have each agreed to share equally the costs of preparing, printing, filing and mailing this document, other than attorneys' and accountants' fees which will be paid by the party incurring the expense. Following the original mailing of the proxies and other soliciting materials, NBT and its agents also may solicit proxies by mail, telephone, facsimile or in person. No additional compensation will be paid to directors, officers or other employees of NBT for making these solicitations. NBT has retained a proxy solicitation firm, AST Phoenix Advisors, to aid it in the solicitation process. NBT will pay a fee of approximately \$12,000 plus out-of-pocket expenses to AST Phoenix Advisors. NBT intends to reimburse persons who hold NBT common stock of record but not beneficially, such as brokers, custodians, nominees and fiduciaries, for their reasonable expenses in forwarding copies of proxies and other soliciting materials to, and requesting authority for the exercise of proxies from, the persons for whom they hold the shares.

This joint proxy statement/prospectus and the proxy card are first being sent to NBT stockholders on or about \_\_\_\_\_, 2012.

**Proposal to Approve Adjournment of the Special Meeting**

NBT is also submitting a proposal for consideration at the special meeting to authorize the named proxies to approve one or more adjournments of the special meeting if there are not sufficient votes to adopt and approve the merger agreement at the time of the special meeting. Even though a quorum may be present at the special meeting, it is possible that NBT may not have received sufficient votes to adopt and approve the merger agreement by the time of the special meeting. In that event, NBT would need to adjourn the special meeting in order to solicit additional proxies. The adjournment proposal relates only to an adjournment of the special meeting for purposes of soliciting additional proxies to obtain the requisite stockholder approval to adopt and approve the merger agreement. Any other adjournment of the special meeting (e.g., an adjournment required because of the absence of a quorum) would be voted upon pursuant to the discretionary authority granted by the proxy card. If the special meeting is adjourned for 30 days or less, NBT is not required to give notice of the time and place of the adjourned meeting unless the board of directors fixes a new record date for the special meeting.

The proposal to approve one or more adjournments of the special meeting requires the affirmative vote of holders of a majority of the shares of NBT common stock present or represented at the special meeting and entitled to vote on the proposal. The NBT board of directors retains full authority to the extent set forth in NBT's bylaws and Delaware law to adjourn the special meeting for any other purpose, or to postpone the special meeting before it is convened, without the consent of any NBT stockholders.

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**PROPOSAL I THE MERGER**

*The following discussion contains material information about the merger. The discussion is subject, and qualified in its entirety by reference, to the merger agreement and financial advisors' opinions attached as annexes to this joint proxy statement/prospectus. We urge you to read carefully this entire joint proxy statement/prospectus, including the merger agreement and financial advisors' opinions attached as annexes to this joint proxy statement/prospectus, for a more complete understanding of the merger.*

**General**

On October 7, 2012, the NBT board of directors and the Alliance board of directors approved the merger agreement. The merger agreement provides for the acquisition by NBT of Alliance through a merger of Alliance with and into NBT, with NBT as the surviving corporation. Following the merger, Alliance Bank will be merged with and into NBT Bank, with NBT Bank as the surviving entity.

Upon completion of the merger, holders of Alliance common stock (other than stock held by Alliance or NBT) will be entitled to receive, for each share of Alliance common stock that is issued and outstanding, 2.1779 shares of NBT common stock (together with the associated stock purchase rights which are attached to, and trade with, NBT common stock).

See The Merger Agreement, beginning on page 80, for additional and more detailed information regarding the legal documents that govern the merger, including information about the conditions to the merger and the provisions for terminating or amending the merger agreement.

**Background of the Merger**

The Alliance board of directors regularly engages with executive management to review Alliance's business plan and its potential strategic options for enhancing shareholder value. These meetings have from time to time included presentations by financial advisors. On June 21st and 22nd, 2012, members of Alliance's executive management team and its board of directors participated in its annual strategic planning meeting off-site. A representative of Hogan Lovells US LLP, or Hogan Lovells, Alliance's legal counsel, was also present at the meeting.

During this strategic planning meeting, management reviewed potential strategic options with the board of directors, including (1) an organic growth strategy, whereby Alliance would remain independent and pursue internally generated growth; (2) an acquisition strategy, whereby Alliance would remain independent and grow through both organic means and acquisitions; and (3) a possible strategic transaction with another financial institution. In recent years, Alliance had pursued a combination of an organic growth strategy and an acquisition strategy, though no acquisitions had been successfully completed since 2006. Management's review of the strategic options included a review of certain operating and environmental factors typically discussed among board and management at strategic planning meetings, including Alliance's historical financial performance, the economic, interest rate, and regulatory environment, competitive factors, Alliance's current stock price and stock price multiples, and recent trends in bank mergers and acquisitions.

Following extensive discussion regarding each of the potential strategic options and the information presented, Hogan Lovells advised the board of directors of its fiduciary obligations to the shareholders of Alliance in connection with the implementation of Alliance's business plan and its consideration of mergers, acquisitions and other strategic alternatives. At the conclusion of the strategic meeting, the board desired to have additional input regarding the strategic alternatives and therefore directed executive management to invite an outside financial advisor to provide an independent review of the strategic options under consideration. Management, which was familiar with KBW based on prior experience and periodic informal contact, recommended the selection of KBW as Alliance's investment banking advisor to assist management and the



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board of directors in their continuing assessment of the strategic options discussed at the meeting. The board of directors approved the selection of KBW for that purpose and requested that the discussion of the potential strategic options continue at the regularly scheduled meeting on August 28, 2012. The board of directors also requested that KBW and Hogan Lovells be present at the August 28<sup>th</sup> meeting.

Over the course of the following weeks, executive management of Alliance and representatives of KBW engaged in discussions and analysis of the three potential strategic options discussed at the strategic planning meeting, in preparation for the August 28<sup>th</sup> meeting of the Alliance board of directors. Such analysis included independent financial modeling, analysis and commentary by KBW regarding: (1) potential earnings performance of Alliance on a stand-alone basis for the years ending December 31, 2012 to 2015 and the potential resulting impact on the valuation of Alliance, based on assumptions provided by Alliance management regarding Alliance's future financial performance; (2) possible acquisition scenarios, with potential targets identified by Alliance management and KBW based on size, geographic proximity to Alliance's market, and KBW's knowledge of the banking industry in such markets, and the expected effect of such potential acquisitions on the valuation of Alliance; (3) possible strategic transactions with other financial institutions identified by executive management and KBW based on the same factors, and the preliminary range of potential value that Alliance shareholders could realize in a competitive non-exclusive solicitation of offers from the potential strategic partners; and (4) the current and projected operating environment for financial institutions, recent bank merger activity and the potential merger environment in coming quarters. All of the performance and other financial projections prepared at this time were preliminary. The preliminary performance projections prepared for the year ending December 31, 2015 were not subsequently updated or relied on by Alliance or KBW, nor were they provided to any potential strategic partners.

On August 28, 2012, the Alliance board of directors met and received a presentation from KBW that included a summary of the current operating environment for the financial industry, recent merger and acquisition activity and a review of the potential strategic options discussed at the strategic planning meeting. KBW commented on the organic growth strategy from the standpoint of potential opportunities, challenges and impact on the valuation of Alliance. KBW also reviewed the potential strategic interest and estimated capacity to complete a transaction with Alliance of specific acquisition targets and specific potential strategic partners, and the potential pro-forma impact on the valuation of Alliance of such strategic options, including a preliminary range of \$40 to \$46 per share that might be realized in a competitive non-exclusive solicitation of offers from the potential strategic partners. Following extensive discussion among the board of directors, executive management, KBW and Hogan Lovells, the board of directors unanimously concluded that based on the information presented and the board's assessment of each of the strategic options, and given the recent favorable merger environment and potential viability of certain strategic partners, the potential value that could be created for shareholders through a strategic transaction was substantially greater than the potential impact of the other strategic options. The board further concluded that it was in the best interests of Alliance's shareholders to explore a potential strategic transaction with another institution. The board of directors authorized executive management to engage KBW and Hogan Lovells for the purpose of preparing a confidential information memorandum, or CIM, to be used in the solicitation of expressions of interest from a select group of institutions to be identified by KBW and executive management and approved by the board of directors. In addition, during this meeting, the Alliance board of directors convened an executive session of independent directors chaired by the lead director and assisted by a representative of Hogan Lovells to specifically discuss matters pertaining to executive management in connection with the exploration of a potential sale of Alliance.

Subsequent to the August 28<sup>th</sup> board meeting, KBW conducted due diligence discussions with Alliance's executive management, and with the assistance of Hogan Lovells, discussed the potential process for soliciting expressions of interest for a possible strategic transaction with Alliance.

On September 6, 2012, at a special meeting of Alliance's board of directors, KBW, along with Hogan Lovells and executive management, reviewed a potential transaction process and timeline under which Alliance would approach specifically identified financial institutions, selected based on size, geographic proximity to

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Alliance's market, KBW's knowledge of the banking industry in such markets, and estimated capacity to complete a transaction with Alliance, to determine their interest in pursuing a potential strategic transaction with Alliance. KBW reviewed the proposed list of identified companies, which consisted of both community and regional financial institutions, and the rationale by which KBW and executive management recommended the inclusion of each institution in the process. KBW provided an overview of the seven institutions on the list, including NBT, which included for each institution publicly available information related to financial performance, market position, profitability, capital, balance sheet and asset quality. After discussion among the board, management and KBW, it was determined to remove one of the regional financial institutions from the list due to its pending acquisition of another bank and the view that as a result of such acquisition and its focus on integration, the institution was not likely to have the capacity to complete a strategic transaction with Alliance. KBW and Mr. Webb further recommended, and the board concurred after further discussion and consideration, that one company which was not on the original list of potential partners should be added to the group for a total of seven potential strategic partners.

The Alliance board of directors, executive management and KBW also discussed certain companies that KBW and executive management were not recommending for inclusion in the group of potential strategic partners and the reasons such companies were determined to not be suitable prospects, which were a lack of geographic market proximity for certain institutions, KBW's general knowledge of the levels of interest of potential strategic partners, and in one case discussed above, the pendency of another acquisition by the excluded institution which was deemed to make a transaction with Alliance unlikely. Following extensive discussion among the board of directors, KBW, Hogan Lovells and executive management, the board of directors approved the recommendation of KBW and executive management to include the seven identified institutions in the process of soliciting expressions of interest regarding a strategic transaction with Alliance. The meeting concluded with KBW, Hogan Lovells and executive management reviewing a preliminary draft of the CIM that would be made available to any of the seven institutions that expressed an interest in considering a possible transaction with Alliance and executed a customary confidentiality agreement.

Hogan Lovells also provided information to the board of directors about the merger process, including the process for obtaining shareholder and regulatory approvals and certain issues to be considered for negotiation with the potential strategic partner, including, but not limited to, deal pricing and structure, break-up fees, representations and warranties, operating covenants, treatment of employees, and board representation.

The Alliance board of directors concluded the meeting by requesting that Mr. Webb and KBW begin contacting the seven potential strategic partners to make them aware of Alliance's decision to explore strategic alternatives and to solicit their interest in receiving a copy of the CIM.

The Alliance board of directors and executive management were previously advised by Hogan Lovells that NBT, one of the seven identified institutions, was a client of Hogan Lovells, which created a potential conflict for Hogan Lovells should NBT pursue a potential transaction with Alliance. Hogan Lovells further advised the board of directors and executive management that, in order to avoid any potential conflict of interest, Hogan Lovells would advise NBT to retain separate legal counsel with respect to any potential transaction with Alliance.

On September 7, 2012, KBW and Mr. Webb began contacting representatives of the seven identified institutions, including Martin A. Dietrich, NBT's President and Chief Executive Officer, and advised each of them that Alliance had determined to explore a strategic transaction. The same day, one of the institutions contacted, which we refer to as Bank A, entered into a confidentiality agreement with Alliance pursuant to which it and Alliance each agreed to maintain the confidential nature of any non-public information shared by it with the other party, and was provided access to a secure virtual data room containing only the CIM. On September 10, 2012, two other institutions contacted, which we refer to as Bank B and Bank C, entered into confidentiality agreements with Alliance substantially identical to the one executed by Bank A, and were provided access to the CIM. On September 11, 2012, NBT entered into a substantially identical confidentiality agreement with Alliance, and was provided access to the CIM. KBW and Mr. Webb asked each of the participating institutions they respectively contacted to submit a written non-binding indication of interest by

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September 26, 2012, as indicated in the CIM. None of the institutions that declined to execute a confidentiality agreement was provided with the CIM, and none of the institutions that was provided access to the CIM was provided access to further confidential information at such time.

Also on September 7, 2012, following the initial contact from Mr. Webb, but prior to NBT's receipt of the CIM, Hogan Lovells contacted Mr. Dietrich and informed him of Hogan Lovells' representation of Alliance with respect to the strategic alternatives process. On September 12, 2012, NBT retained Goodwin Procter LLP, or Goodwin Procter, as special counsel. Similarly, a representative of KBW, who had provided advice to NBT in the past, contacted Mr. Dietrich and informed him that KBW had been engaged by Alliance and would not be able to represent NBT with respect to a potential strategic transaction with Alliance. Following consideration of potential financial advisors, NBT contacted Ambassador Financial Group, or AFG, on September 14, 2012 to act as its financial advisor in connection with this potential transaction, with AFG being formally engaged by NBT on September 29, 2012.

NBT's management and board of directors have periodically conducted strategic reviews as part of their on-going efforts to improve NBT's banking franchise and enhance stockholder value. These reviews have focused on assessing opportunities for increasing earnings through internally generated growth and for growth through acquisitions of other banks or *de novo* branching. NBT's management and board of directors also regularly review the banking industry environment and potential strategies for enhancing NBT's competitive position in this environment. These meetings have from time to time included presentations by financial advisors, including KBW. As part of the strategic reviews, NBT's management and board of directors have considered potential acquisition targets, including Alliance. In particular, NBT had been interested in entering the Syracuse market given the size and nature of the market and the geographic proximity to NBT's other market areas.

On September 10, 2012, Alliance formally engaged KBW to render financial advisory and investment banking services related to the strategic alternatives process. Also on September 10, 2012, representatives of KBW and NBT, including Mr. Dietrich, Michael J. Chewens, Senior Executive Vice President and Chief Financial Officer of NBT, and F. Sheldon Prentice, Executive Vice President and General Counsel of NBT, discussed the strategic alternatives process of Alliance, including whether Alliance may be willing to enter into exclusive negotiations depending upon the price offered, although no pricing terms were discussed at that time. The KBW representatives indicated that Alliance would not likely enter into exclusive negotiations with any party at that time.

On September 13, 2012, at Mr. Dietrich's request, Mr. Webb and Mr. Dietrich met to discuss generally the concept of a potential strategic transaction between Alliance and NBT. At this meeting, Mr. Webb and Mr. Dietrich discussed Alliance's and NBT's respective business profiles, general industry developments, and the framework for a potential transaction.

On September 17, 2012, NBT held a joint special meeting of the boards of directors of NBT and NBT Bank at which the directors and management discussed a potential strategic transaction between NBT and Alliance. At the meeting, management reviewed the background related to the strategic opportunity and the expected financial impact on NBT of a possible transaction with Alliance. At the conclusion of the discussion, the NBT board authorized management to submit an indication of interest regarding a merger with Alliance for NBT common stock consideration in a range of \$46.00 to \$48.00 per share of Alliance common stock. Following this meeting, NBT delivered a written non-binding indication of interest to Alliance, proposing consideration of \$46.00 per share of Alliance common stock in a 100% stock transaction. The indication of interest also confirmed that NBT would honor Alliance's existing employment, severance, change of control and similar agreements and generally discussed NBT's plans with respect to Alliance employees; however, no specific organizational or employment matters were discussed. It was further noted in the indication of interest that NBT would expect to invite a few members of Alliance's board of directors, to be determined at a later date, to join the board of NBT Bank and would consider other members of Alliance's board for membership on a to-be-formed NBT Advisory Board of Onondaga County.

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Thereafter on September 18, 2012, KBW and NBT discussed various terms in NBT's indication of interest, including the fact that it was delivered more than a week in advance of the September 26, 2012 deadline Alliance had set for receipt of indications of interest from potential strategic partners. During these discussions, NBT inquired again as to whether Alliance would enter into exclusive negotiations regarding a definitive agreement with respect to a strategic transaction based on the indication of interest submitted by NBT. KBW indicated that the proposed consideration of \$46.00 per share of Alliance common stock would likely not be high enough for Alliance to commence exclusive negotiations with NBT. Subsequently on September 18, 2012, Mr. Dietrich orally indicated to KBW that NBT would be willing to increase the proposed consideration to \$48.00 per share and further indicated that this price was the highest price that NBT would be willing to offer. As a result of NBT's indication of interest and the proposed consideration of \$48.00 per share, Alliance determined to provide NBT access to the due diligence materials prior to the September 26 deadline for submissions of indications of interest.

On September 19, 2012, Mr. Webb and Mr. Dietrich met again at Mr. Dietrich's request to continue their discussion regarding the proposed strategic transaction and potential future organizational structure of NBT and Alliance. Although most of the discussion was centered on the proposed strategic transaction, Mr. Dietrich also expressed NBT's interest in retaining the services of Mr. Webb following the transaction for a multi-year period to assist with integration efforts given Mr. Webb's knowledge of Alliance's business and markets and his profile in the communities that Alliance serves and where NBT does not currently operate. No specific terms of an employment arrangement were discussed.

On September 20, 2012, NBT was granted access to due diligence materials assembled by Alliance in the secure virtual data room. Thereafter and continuing throughout the negotiation process, representatives of NBT conducted a due diligence review of Alliance's business, finances and operations, NBT made supplemental requests for due diligence materials, and representatives of the parties had numerous discussions with respect to matters raised in the course of the due diligence process.

On September 21, 2012, NBT submitted a revised written non-binding indication of interest to Alliance that reflected the increase in the proposed merger consideration to \$48.00 per share. Also, as a result of the intervening discussions between Mr. Webb and Mr. Dietrich regarding the future organizational structure of NBT and Alliance and related due diligence conducted by NBT, the revised indication of interest included: (1) the proposal that the Alliance bank franchise become a region of NBT Bank to be operated under the direction of a Regional President appointed from the current Alliance staff; (2) the offer of a three-year employment agreement with Mr. Webb with specific terms and conditions to be negotiated; and (3) the expansion of the NBT board of directors by three members and the appointment of three members of Alliance's board of directors to fill these seats to be determined through a later process (as per NBT's policy, directors on the NBT board are also directors of NBT Bank).

Also on September 21, 2012, one additional institution, which we refer to as Bank D and which was the regional bank on the original list of institutions discussed at the September 6, 2012 board meeting that was not contacted due to its pending bank acquisition, contacted KBW and requested an opportunity to participate in the process. On September 24, 2012, Bank D executed a confidentiality agreement and was provided access to the CIM. Later that day, Bank D telephoned Mr. Webb and indicated it would no longer pursue a strategic transaction with Alliance, without stating any reasons.

On September 24, 2012, the board of directors of NBT Bank, which board includes all of the directors of NBT, held its regularly-scheduled meeting. At this meeting, NBT management provided an update on the potential strategic transaction with Alliance, including high level financial information regarding Alliance and the financial impact of the proposed transaction on NBT.

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Also on September 24, 2012, at the request of the chief executive officer of Bank B, Mr. Webb and such executive had a meeting during which they discussed generally the concept of a potential strategic transaction between Bank B and Alliance, including the current and potential future organizational structure of Bank B and Alliance. The CEO of Bank B also indicated that Bank B would likely be submitting a written indication of interest, although no pricing terms were discussed at that time. In addition to the written non-binding indication of interest from NBT, on September 26, 2012, Alliance received a written non-binding indication of interest from Bank B with a proposed purchase price in the range of \$41.00 to \$44.00 per share of Alliance common stock, consisting of either all stock or a cash-stock mix depending on its analysis after completion of due diligence. Subsequently, KBW and Bank B discussed the pricing and other terms of Bank B's indication of interest. KBW shared with Bank B its expectation that the top end of Bank B's price range, \$44.00 per share of Alliance common stock, would not be high enough for Bank B to be the successful bidder. Bank B indicated it may be able to pay a price in the upper level of its range, pending the outcome of due diligence, but not in excess of the upper level. Prior to the bid deadline date of September 26, 2012, Bank A and Bank C each contacted KBW and indicated that they would not be submitting indications of interest as they did not believe they could offer a price that would be competitive with other potential bidders.

On September 27, 2012, the board of directors of Alliance held a regular meeting with members of executive management at which representatives of KBW and Hogan Lovells were present. KBW provided a summary of activities since the board of directors last met on September 6<sup>th</sup>, noting that three of the seven institutions originally contacted declined to participate by signing a confidentiality agreement and receiving the CIM and that two of the five institutions (including the one that contacted KBW on its own) that received the CIM submitted a written non-binding indication of interest. KBW then discussed with the board of directors the indications of interest received from Bank B and NBT. KBW noted, based on conversations between KBW and Bank B and their financial advisors subsequent to the receipt of their written indication of interest, that Bank B would not increase the range of \$41.00 to \$44.00 per share set forth in its indication of interest. KBW further indicated that Bank B reiterated that it may be in a position to set its final offer in the upper end of the range pending the results of due diligence. The board of directors, KBW and executive management also discussed that based on conversations with NBT and internal analysis, NBT would be unwilling to increase its offer above \$48.00 per share. The board of directors, KBW, Hogan Lovells and executive management then discussed in detail the indications of interest submitted by NBT and Bank B.

The board of directors considered, in addition to the amount and form of per share merger consideration proposed by each potential merger partner, a range of factors including, but not limited to: the strategic compatibility with Alliance of each of the potential merger partners; the prospects of the combined company following the transaction; the strength of the common stock of each of the potential merger partners, including the effects of the transaction on the earnings per share and tangible book value per share of each potential merger partner; the pro-forma combined balance sheets and regulatory capital ratios; and the ability of each potential partner to successfully complete a transaction. Ultimately, the board of directors determined that the amount and form of merger consideration being offered by NBT, together with the strength of NBT's business and management platforms and the strategic compatibility of Alliance's existing business with that of NBT, represented the best value for Alliance's shareholders. As a result, following the presentations and discussions, the board of directors authorized executive management to proceed with due diligence on NBT and to commence negotiations with NBT regarding a definitive merger agreement. The board of directors and executive management requested that KBW continue to work with Bank B and continue to respond to questions from Bank B regarding Alliance's operations in an effort to refine and potentially increase the amount of merger consideration included in their indication of interest. The board further indicated that it would make a decision as to whether to end discussions with Bank B subsequent to the completion of due diligence by NBT. KBW continued to engage in such discussions and provide such information until Bank B was informed that Alliance was negotiating a definitive agreement with another party as described below.

On September 28 and 29, 2012, representatives of NBT performed on-site due diligence of Alliance, which included review of additional documents made available by Alliance to NBT, reviews of selected loan credit files

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and interviews of executive management. Also, at these meetings, representatives of NBT, including Mr. Chewens, and representatives of Alliance, including Mr. Webb, John H. Watt, Jr., Executive Vice President and Director of Alliance, and J. Daniel Mohr, Executive Vice President and Chief Financial Officer of Alliance, discussed employee-related matters and community activities in the markets that Alliance serves.

On September 29, 2012, Mr. Webb and Mr. Dietrich continued their conversation regarding a potential transaction, including a general discussion regarding Alliance's record of service and charitable giving in its communities and the potential future organizational structure of NBT and Alliance.

On September 29, 2012, Goodwin Procter circulated a first draft of the merger agreement to Hogan Lovells for review, as well as a first draft of a voting agreement to be executed by Mr. Webb in his capacity as a shareholder of Alliance. Also on that date, Mr. Webb provided Mr. Dietrich with a term sheet setting forth proposed terms and conditions under which Mr. Webb would agree to continue as an employee of the combined company. Mr. Webb indicated that he would like a shorter commitment than three years as previously proposed by NBT, and the term sheet provided for a one-year term of employment following the completion of the proposed transaction.

On October 1, 2012, Alliance submitted a due diligence request list to NBT in connection with the reverse due diligence to be conducted by Alliance.

Also on October 1, 2012, Alliance and Hogan Lovells provided their initial comments to Goodwin Procter and NBT on the draft merger agreement, and Goodwin Procter circulated a first draft of an employment agreement between NBT and Mr. Webb to be effective upon the closing of the proposed transaction. The employment agreement provided, in addition to a post-closing employment arrangement with NBT, for Mr. Webb to fill one of the three seats to be created on the NBT board of directors following the merger. Over the course of the following days, the parties and their respective legal counsel and financial advisors worked to finalize the terms of the merger agreement and the voting agreement. The parties also finalized the employment agreement with Mr. Webb and the treatment of pre-existing severance arrangements for Mr. Webb, Mr. Watt and Mr. Mohr. The board of directors of Alliance convened a special meeting on October 1, 2012, to receive an update from executive management, KBW and Hogan Lovells on the due diligence performed by NBT and the status of the negotiations of the merger agreement.

On October 3, 2012, the boards of directors of NBT and NBT Bank met to review and consider the proposed transaction with Alliance and the terms of the merger agreement. In attendance were representatives of AFG and Goodwin Procter and executive management. At the meeting, management reviewed the status of negotiations with Alliance, the results of NBT's due diligence review of Alliance, and the expected financial impact on NBT of the proposed transaction with Alliance. Representatives of Goodwin Procter reviewed the terms of the merger agreement and related documentation, and the AFG representative provided the board with a presentation concerning the financial terms of the merger and certain methods of financial analysis that AFG had performed in connection with evaluating the financial terms of the merger. AFG then delivered its oral opinion (subsequently confirmed on October 7, 2012 as described below and submitted in writing) to the NBT board of directors that, as of that date and based upon and subject to the factors and assumptions to be set forth in its written opinion, the merger consideration was fair, from a financial point of view, to NBT stockholders.

On October 4, 2012, KBW informed Bank B that Alliance was negotiating a definitive agreement with another party and that Alliance would contact Bank B if that effort failed to result in an executed agreement. Alliance did not enter into an exclusivity agreement with NBT or any other potential strategic partner at any point during the strategic alternatives process.

On October 4 and 5, 2012, Alliance (along with KBW and Hogan Lovells) performed reverse due diligence of NBT, which included review of documents made available by NBT to Alliance through a virtual data room, and interviews of NBT management. Also on October 4, 2012, Mr. Webb and Mr. Dietrich met to continue their discussion regarding the potential future organizational structure of NBT and Alliance.

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On October 7, 2012, the Alliance board of directors convened a special meeting to consider the merger agreement, the proposed merger consideration per share, and the terms of the merger agreement and related documentation (including the employment agreement between Mr. Webb and NBT), which were distributed for review in advance of the meeting. In attendance were representatives of KBW and Hogan Lovells and executive management. KBW made a presentation to the board of directors concerning the business and financial terms of the merger and the board received a draft of the presentation that NBT intended to share with the investment community following the announcement of the transaction.

KBW also delivered an oral opinion (subsequently confirmed in writing) to the Alliance board of directors that in its opinion, as of that date and based upon and subject to the factors and assumptions set forth in its written opinion, the exchange ratio was fair, from a financial point of view, to Alliance's shareholders (see [Opinion of Keefe, Bruyette & Woods, Inc., Financial Advisor to Alliance](#) below for a summary). Hogan Lovells reviewed the terms of the merger agreement and answered questions from the board of directors.

In addition, KBW informed the board of directors that in the days since Bank B submitted its indication of interest, KBW and executive management provided financial and other data to Bank B in an effort to persuade Bank B to increase its proposed merger consideration. However, Bank B indicated to KBW that it was unlikely that they would be willing to exceed the high end of their range of \$44.00 per share.

Following a complete review from KBW and Hogan Lovells, and a discussion with executive management, the Alliance board of directors unanimously determined that the merger with NBT was advisable and that the merger, the merger agreement and the transactions contemplated by the merger agreement were fair to and in the best interests of Alliance and its shareholders, and voted unanimously to approve the merger agreement and related documents. See [Alliance's Reasons for the Merger](#) for more information regarding the Alliance board's determination. The Alliance board of directors then convened an executive session of independent directors chaired by the lead director and assisted by a representative of Hogan Lovells to specifically discuss the merger, the merger agreement and matters pertaining to management.

Also on October 7, 2012, the boards of directors of NBT and NBT Bank reconvened to review and consider the proposed transaction with Alliance and the final terms of the merger agreement, including the proposed per share merger consideration, and related documents, which were circulated to the board of directors in advance of the meeting. AFG confirmed its earlier oral opinion (subsequently confirmed in writing) that, as of October 7, 2012 and based upon and subject to the factors and assumptions set forth in its written opinion, the merger consideration was fair, from a financial point of view, to NBT's stockholders (see [Opinion of Ambassador Financial Group, Financial Advisor to NBT](#) below for a summary). After discussion, NBT's board of directors unanimously determined that the merger with Alliance was advisable and that the merger agreement and the transactions contemplated by the merger agreement were in the best interests of NBT and its stockholders, and voted unanimously to adopt and approve the merger agreement and related documents and the transactions contemplated thereby. See [NBT's Reasons for the Merger](#) for more information regarding the NBT board's determination.

Following the meetings of the boards of directors of NBT and Alliance, the parties executed the merger agreement, Mr. Webb executed the voting agreement and the employment agreement with NBT, and Messrs. Mohr and Watt entered into settlement agreements (related to pre-existing severance arrangements). Prior to the opening of the NASDAQ Global Select Market on October 8, 2012, NBT and Alliance issued a joint press release announcing the transaction.

### **Alliance's Reasons for the Merger**

In reaching its decision to approve the merger agreement and related transactions, the Alliance board of directors consulted with executive management, its financial advisors, and its legal counsel and considered a number of factors, including, among others, the following, which are not presented in order of priority:

its knowledge of the current and prospective environment in which Alliance operates, including national, regional and local economic conditions, the competitive environment, the increasing costs

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associated with recent legislation and expanding regulatory oversight, the trend toward consolidation in the financial services industry and the likely effect of these factors on Alliance's potential growth, development, profitability and strategic options;

the strategic alternatives believed to be reasonably available to Alliance;

results that could be expected to be obtained by Alliance if it continued to operate independently, and the likely benefits to shareholders of such course, as compared with the value of the merger consideration being offered by NBT;

its knowledge of Alliance's business, markets, financial condition, results of operations and prospects;

a review of NBT's business, operations, financial condition, earnings, stock performance and prospects, taking into account the results of its due diligence review of NBT;

the enhanced future prospects of the combined company compared to those that Alliance was likely to achieve on a stand-alone basis, including the projected stock market capitalization and the liquidity of NBT's stock, the market position of the combined entity and the compatibility of Alliance's and NBT's business activities, such as both companies' experience in commercial and industrial lending;

the merger consideration offered, its premium to market and comparability with respect to other premiums, and the belief of the Alliance board of directors that NBT stock represents an investment in a profitable, well-regarded and well-capitalized institution, which should result in long-term value and increased liquidity for Alliance shareholders;

the structure of the merger and the financial and other terms of the merger agreement, including the \$48.00 per share value of the consideration;

Alliance's right to terminate the merger agreement if, subject to NBT's ability to make a compensating adjustment to the exchange ratio, the average of the daily closing sales prices of a share of NBT common stock for the 10 consecutive trading days preceding the date on which Alliance and NBT stockholder approval and all required regulatory approvals have been obtained or waived is less than \$17.74 per share (subject to customary anti-dilution adjustments) and NBT's common stock underperforms the NASDAQ Bank Index by more than 20%;

the fact that certain provisions of the merger agreement prohibit Alliance from soliciting, and limit its ability to respond to, proposals for alternative transactions;

the fact that the merger agreement obligates Alliance to pay to NBT a termination fee of approximately \$9.3 million if the board of directors of Alliance withdraws its recommendation of the merger or recommends an alternative acquisition proposal, which may deter others from proposing an alternative transaction that may be more advantageous to Alliance shareholders;

the terms of the merger agreement and related transactions, including the representations and warranties of the parties, the covenants, the consideration, the benefits to Alliance's employees, as well as employee and executive termination benefits;



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the presentations of executive management and KBW regarding the strategic advantages and disadvantages of combining with NBT, including NBT's knowledge of the markets in which Alliance operates, the significant opportunities for cost savings in the transaction, and NBT's commitment to the communities in which Alliance operates;

the possible effects of the proposed merger on Alliance's employees and customers, as well as on the communities in which Alliance operates;

the results of Alliance's due diligence investigation of NBT and the reputation, business practices and experience of NBT and its management related to integration of acquired businesses;

the fact that the transaction is expected to be tax-free to Alliance shareholders to the extent that they receive NBT common stock in exchange for their shares of Alliance common stock;

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the oral opinion of KBW (which was subsequently confirmed in writing), as of October 7, 2012, and based upon and subject to the assumptions, qualifications and limitations set forth in the written opinion, the consideration to be received in the merger was fair to the Alliance shareholders from a financial point of view, as more fully described under Opinion of Keefe, Bruyette & Woods, Financial Advisor to Alliance beginning on page 50;

the challenges of combining the two companies generally, including the likelihood of a successful integration of the companies and differences in cultures and business management philosophies, and NBT's past experience in this regard;

the ability of both institutions to complete the merger and the likelihood of receiving necessary regulatory approvals in a timely fashion; and

the possible effects on Alliance should the parties fail to complete the merger, including the possible effects on the price of Alliance common stock, and the associated business and opportunity costs.

During its consideration of the merger agreement, Alliance's board of directors was also aware that Alliance officers and directors may have financial interests in the merger that are different from, or are in addition to, the interests of Alliance shareholders. See Interests of Alliance Directors and Executive Officers in the Merger, beginning on page 60.

The foregoing discussion of the factors considered by the Alliance board of directors is not intended to be exhaustive, but does set forth the principal factors considered by the board. Based on the factors described above, the Alliance board of directors determined that the merger with NBT would be advisable and in the best interests of Alliance shareholders and unanimously approved the merger agreement and related transactions contemplated by the merger agreement. In view of the wide variety and complexity of factors considered by the Alliance board of directors in connection with its evaluation of the merger, the board of directors did not consider it practical, and did not attempt, to quantify, rank or otherwise assign relative weights to the specific factors it considered in reaching its decision and did not undertake to make any specific determination as to whether any particular factor, or any aspect of any factor, was favorable or unfavorable to the ultimate determination of the board. Rather, the Alliance board of directors made its recommendation based on the totality of information presented to and the investigation conducted by it. In considering the factors discussed above, individual directors may have given different weights to different individual factors.

**Recommendation of the Alliance Board of Directors**

The Alliance board of directors has unanimously approved the merger agreement and recommends that Alliance's shareholders vote **FOR** adoption of the merger agreement and the transactions contemplated thereby.

**Opinion of Keefe, Bruyette & Woods, Inc., Financial Advisor to Alliance**

On September 10, 2012, Alliance engaged KBW to render financial advisory and investment banking services to Alliance. KBW agreed to assist Alliance in assessing the fairness, from a financial point of view, of the consideration in the proposed merger with NBT, to the shareholders of Alliance. As part of its investment banking business, KBW is continually engaged in the valuation of financial services companies and their securities in connection with mergers and acquisitions.

As part of its engagement, a representative of KBW attended the meeting of the Alliance board of directors held on October 7, 2012, at which the Alliance board of directors evaluated the proposed merger with NBT. At this meeting, KBW reviewed the financial aspects of the proposed merger and rendered an oral opinion (subsequently confirmed in writing) to the Alliance board of directors that, as of such date and based upon and subject to the factors and assumptions set forth in its written opinion, the exchange ratio was fair, from a financial point of view to the holders of Alliance common stock. The Alliance board of directors approved the merger agreement at this meeting.

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The full text of KBW's written opinion is attached as **Annex B** to this document and is incorporated in this joint proxy statement/prospectus by reference. Alliance shareholders are urged to read the opinion in its entirety for a description of the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by KBW. The description of the opinion set forth in this joint proxy statement/prospectus is qualified in its entirety by reference to the full text of such opinion.

KBW's opinion speaks only as of the date of the opinion. The opinion is directed to the Alliance board of directors and addresses only the fairness, from a financial point of view, of the exchange ratio to the holders of Alliance common stock. It does not address the underlying business decision to proceed with the merger and does not constitute a recommendation to any Alliance shareholder as to how the shareholder should vote at the Alliance special meeting on the merger agreement or any related matter.

In rendering its opinion, KBW reviewed, among other things:

the draft merger agreement;

Annual Reports to Stockholders and the Annual Reports on Form 10-K for the three years ended December 31, 2011 of each of Alliance and NBT;

certain interim reports to stockholders, Quarterly Reports on Form 10-Q of Alliance and NBT, and certain other communications from Alliance and NBT to their respective stockholders, each as filed with the SEC; and

other financial information concerning the businesses and operations of Alliance and NBT furnished to KBW by Alliance and NBT for purposes of KBW's analysis.

In addition, KBW held discussions with members of senior management of Alliance and NBT regarding past and current business operations, regulatory relations, financial condition and future prospects of their respective companies, and other matters KBW deemed relevant. In addition, KBW compared certain financial and stock market information for Alliance and NBT with similar information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations in the banking industry, and performed other studies and analyses that it considered appropriate.

In conducting its review and arriving at its opinion, KBW relied upon the accuracy and completeness of all of the financial and other information provided to them or otherwise publicly available. KBW did not independently verify the accuracy or completeness of any such information or assume any responsibility for such verification or accuracy. KBW relied upon the management of Alliance and NBT as to the reasonableness and achievability of the financial and operating forecasts and projections (and the assumptions and bases therefor) provided to KBW and assumed that such forecasts and projections reflected the best currently available estimates and judgments of such managements and that such forecasts and projections will be realized in the amounts and in the time periods estimated by such managements. KBW did not make any adjustments to the forecasts and projections provided by the management of Alliance and NBT. KBW assumed, without independent verification that the aggregate allowance for loan and lease losses for Alliance and NBT were adequate to cover those losses. KBW did not make or obtain any evaluations or appraisals of the property, assets or liabilities of Alliance or NBT, nor did it examine any individual credit files.

The projections furnished to KBW and used by it in certain of its analyses were prepared by Alliance's and NBT's senior management teams. Alliance and NBT do not publicly disclose internal management projections of the type provided to KBW in connection with its review of the merger. As a result, such projections were not prepared with a view towards public disclosure. The projections were based on numerous variables and assumptions, which are inherently uncertain, including factors related to general economic and competitive conditions. Accordingly, actual results could vary significantly from those set forth in the projections.

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For purposes of rendering its opinion, KBW assumed that, in all respects material to its analyses:

the merger will be completed substantially in accordance with the terms set forth in the merger agreement with no additional payments or adjustments to the exchange ratio;

the representations and warranties of each party in the merger agreement and in all related documents and instruments referred to in the merger agreement are true and correct;

each party to the merger agreement and all related documents will perform all of the covenants and agreements required to be performed by such party under such documents;

all conditions to the completion of the merger will be satisfied without any waivers or modifications to the merger agreement; and

in the course of obtaining the necessary regulatory, contractual, or other consents or approvals for the merger, no restrictions, including any divestiture requirements, termination or other payments or amendments or modifications, will be imposed that will have a material adverse effect on the future results of operations or financial condition of the combined entity or the contemplated benefits of the merger, including the cost savings, revenue enhancements and related expenses expected to result from the merger.

KBW further assumed that the merger will be accounted for using the acquisition method under generally accepted accounting principles, and that the merger will qualify as a tax-free reorganization for United States federal income tax purposes. KBW's opinion is not an expression of an opinion as to the prices at which shares of Alliance common stock or shares of NBT common stock will trade following the announcement of the merger or the actual value of the shares of common stock of the combined company when issued pursuant to the merger, or the prices at which the shares of common stock of the combined company will trade following the completion of the merger.

In performing its analyses, KBW made numerous assumptions with respect to industry performance, general business, economic, market and financial conditions and other matters, which are beyond the control of KBW, Alliance and NBT. Any estimates contained in the analyses performed by KBW are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by these analyses. Additionally, estimates of the value of businesses or securities do not purport to be appraisals or to reflect the prices at which such businesses or securities might actually be sold. Accordingly, these analyses and estimates are inherently subject to substantial uncertainty. In addition, the KBW opinion was among several factors taken into consideration by the Alliance board of directors in making its determination to approve the merger agreement and the merger. Consequently, the analyses described below should not be viewed as determinative of the decision of the Alliance board of directors with respect to the fairness of the consideration.

The following is a summary of the material analyses presented by KBW to the Alliance board of directors on October 7, 2012, in connection with its fairness opinion. The summary is not a complete description of the analyses underlying the KBW opinion or the presentation made by KBW to the Alliance board of directors, but summarizes the material analyses performed and presented in connection with such opinion. The preparation of a fairness opinion is a complex analytic process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. The financial analyses summarized below include information presented in tabular format. However, in arriving at its opinion, KBW did not attribute any particular weight to any analysis or factor that it considered, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Accordingly, KBW believes that its analyses and the summary of its analyses must be considered as a whole and that selecting portions of its analyses and factors or focusing on the information presented below in tabular format, without considering all analyses and factors or the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the process underlying its analyses and opinion. The tables alone do not constitute a complete description of the financial analyses.

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*Summary of Proposal.* Pursuant to the terms of the merger agreement, each outstanding share of common stock, par value \$1.00 per share, of Alliance not owned by Alliance or NBT or by any of their respective wholly owned subsidiaries other than shares owned in a fiduciary capacity or as a result of debts previously contracted, will be converted into the right to receive 2.1779 shares of common stock, par value \$0.01 per share, of NBT, which we refer to as the exchange ratio. Based on NBT's five day average closing price on October 5, 2012, of \$22.04, the exchange ratio represented a price of \$48.00 per share to Alliance's shareholders.

*Selected Companies Analysis.* Using publicly available information, KBW compared the financial performance, financial condition and market performance of Alliance to the following publicly traded banks headquartered in Upstate New York with total assets between \$750 million and \$5 billion. Companies included in this group were:

TrustCo Bank Corp NY  
Financial Institutions, Inc.  
Canandaigua National Corporation  
Adirondack Trust Company

Tompkins Financial Corporation  
Arrow Financial Corporation  
Chemung Financial Corporation  
Evans Bancorp, Inc.

Using publicly available information, KBW compared the financial performance, financial condition, and market performance of NBT to the following peers listed in NBT's proxy statement filed with the SEC on March 30, 2012, each of which was identified as a community-based banking organization operating in the northeastern United States with asset sizes and markets similar to NBT's. Companies included in this group were:

Susquehanna Bancshares, Inc.  
National Penn Bancshares, Inc.  
Community Bank System, Inc.  
Berkshire Hills Bancorp, Inc.  
S&T Bancorp, Inc.  
Provident New York Bancorp

F.N.B. Corporation  
Northwest Bancshares, Inc.  
First Commonwealth Financial Corporation  
TrustCo Bank Corp NY  
Tompkins Financial Corporation

To perform this analysis, KBW used financial information as of the three month period ended June 30, 2012, and market price information was as of the close of the stock markets on October 5, 2012. Earnings estimates for 2012 and 2013 were taken from a nationally recognized earnings estimate consolidator for selected companies. Certain financial data prepared by KBW, and as referenced in the tables presented below, may not correspond to the data presented in Alliance's and NBT's historical financial statements as a result of the different periods, assumptions and methods used by KBW to compute the financial data presented.

KBW's analysis showed the following concerning Alliance's and NBT's financial condition:

	Alliance	Alliance Group Minimum	Alliance Group Maximum
Core Return on Average Assets(1)	0.82%	0.77%	1.06%
Core Return on Average Equity(1)	8.2%	7.5%	13.3%
Net Interest Margin	3.26%	3.09%	3.96%
Efficiency Ratio	72.1%	52.2%	74.4%

  

	NBT	NBT Group Minimum	NBT Group Maximum
Core Return on Average Assets(1)	0.95%	0.63%	1.16%
Core Return on Average Equity(1)	10.0%	4.5%	10.4%
Net Interest Margin	3.80%	3.16%	4.08%
Efficiency Ratio	64.1%	52.2%	65.6%



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	Alliance	Alliance Group Minimum	Alliance Group Maximum
Tangible Common Equity / Tangible Assets	7.85%	6.29%	8.87%
Total Capital Ratio	15.76%	12.64%	18.03%
Loan Loss Reserve / Loans	0.99%	1.21%	1.94%
Nonperforming Assets / Loans + OREO	0.98%	0.71%	2.16%
Net Charge-Offs / Average Loans	0.08%	(0.03)%	0.55%

	NBT	NBT Group Minimum	NBT Group Maximum
Tangible Common Equity / Tangible Assets	6.84%	5.96%	12.66%
Total Capital Ratio	12.03%	10.53%	23.11%
Loan Loss Reserve / Loans	1.70%	0.98%	2.25%
Nonperforming Assets / Loans + OREO	1.10%	0.84%	3.47%
Net Charge-Offs / Average Loans	0.48%	0.22%	1.02%

(1) Core income defined as net income after taxes and before extraordinary items, less net income attributable to noncontrolling interest, the after-tax portion of income from investment securities and nonrecurring items.

KBW's analysis showed the following concerning Alliance's and NBT's market performance:

	Alliance	Alliance Group Minimum	Alliance Group Maximum
Stock Price / Book Value per Share	1.28x	0.83x	1.76x
Stock Price / Tangible Book Value per Share	1.73x	1.05x	2.07x
Stock Price / 2012 EPS(1)	17.2x	9.7x	14.7x
Stock Price / 2013 EPS(1)	16.9x	9.4x	13.7x
Dividend Yield	3.1%	0.0%	5.5%
2012 Est. Dividend Payout Ratio(1)	54.0%	29.4%	66.5%

	NBT	NBT Group Minimum	NBT Group Maximum
Stock Price / Book Value per Share	1.32x	0.78x	1.56x
Stock Price / Tangible Book Value per Share	1.88x	1.21x	2.42x
Stock Price / 2012 EPS(1)	13.8x	12.3x	18.4x
Stock Price / 2013 EPS(1)	13.5x	10.0x	16.9x
Dividend Yield	3.6%	1.9%	4.5%
2012 Est. Dividend Payout Ratio(1)	49.8%	24.6%	71.6%

(1) Estimates per First Call consensus estimates

*Selected Regional Transactions Analysis.* KBW reviewed publicly available information related to selected acquisitions of banks and bank holding companies as well as thrifts and thrift holding companies headquartered in the New England and Mid-Atlantic regions that were announced after January 1, 2011, with announced aggregate deal values between \$50 million and \$500 million. Further, transaction multiples for the merger were derived from an offer price of \$48.00 per share for Alliance. For each transaction referred to below, KBW derived and compared, among other things, the following implied ratios:

price per common share paid for the acquired company to tangible book value per share of the acquired company based on the latest publicly available financial statements of the company available prior to the announcement of the acquisition;



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tangible equity premium to core deposits (total deposits less time deposits greater than \$100,000) based on the latest publicly available financial statements of the acquired company prior to the announcement of the acquisition;

price per common share paid for the acquired company to last twelve months earnings per share of the acquired company;

price per common share paid for the acquired company to estimated earnings per share; and

price per common share paid for the acquired company to closing price of the acquired company one day prior to the announcement of the acquisition (expressed as a percentage and referred to as the 1-day market premium).

Acquiror	Acquiree	Stock Consideration (%)	Deal Value (\$mm)	Price / TBV (x)	Core Deposit Premium (%)	Price / LTM EPS (x)	Price / Est. EPS (x)	1 Day Market Premium (%)
WesBanco, Inc.	Fidelity Bancorp, Inc.	80	73	1.67	7.1	56.4	NA	82.9
Investors Bancorp, Inc. (MHC)	Marathon Banking Corporation	0	135	1.51	7.4	23.8	NA	NA
Berkshire Hills Bancorp, Inc.	Beacon Federal Bancorp, Inc.	50	130	1.11	3.2	22.6	24.2	48.9
United Financial Bancorp, Inc.	New England Bancshares, Inc.	100	85	1.53	6.3	19.1	NA	38.3
Independent Bank Corp.	Central Bancorp, Inc.	60	55	1.65	8.4	31.8	NA	77.3
Tompkins Financial Corporation	VIST Financial Corp.	100	85	1.16	1.4	28.8	12.8	83.8
Susquehanna Bancshares, Inc.	Tower Bancorp, Inc.	75	342	1.49	6.0	NM	21.9	40.6
F.N.B. Corporation	Parkvale Financial Corporation	100	131	1.98	5.2	NM	NA	109.0
BankUnited, Inc.	Herald National Bank	67	70	1.32	7.9	NM	NA	0.1
Valley National Bancorp	State Bancorp, Inc.	100	230	1.88	9.6	23.7	22.2	25.7
Brookline Bancorp, Inc.	Bancorp Rhode Island, Inc.	50	234	1.93	11.8	22.9	22.1	57.1
Susquehanna Bancshares, Inc.	Abington Bancorp, Inc.	100	274	1.24	9.1	33.4	31.1	13.8
People's United Financial, Inc.	Danvers Bancorp, Inc.	55	489	1.84	13.4	28.5	25.9	32.8

The results of the analysis are set forth in the following table:

	NBT / Alliance Merger	Recent Transactions Minimum	Recent Transactions Maximum
Price to Tangible Book Value	211%	111%	198%
Core Deposit Premium	12.6%	1.4%	13.4%
Market Premium(1)	21.8%	0.1%	109.0%
Price to Last Twelve Months EPS	19.3x	19.1x	56.4x
Price to Estimated EPS	20.4x	12.8x	31.1x

(1) Based on Alliance's stock price of \$39.41 on October 5, 2012

No company or transaction used as a comparison in the above analysis is identical to Alliance, NBT or the merger. Accordingly, an analysis of these results is not mathematical. Rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies.

*Selected National Transactions Analysis.* KBW reviewed publicly available information related to selected acquisitions of banks and bank holding companies as well as thrifts and thrift holding companies headquartered in the United States that were announced after January 1, 2011, with announced aggregate transaction values between \$50 million and \$500 million. Further, transaction multiples for the merger were derived from an offer price of \$48.00 per share for Alliance. For each transaction referred to below, KBW derived and compared, among other things, the following implied ratios:

price per common share paid for the acquired company to tangible book value per share of the acquired company based on the latest publicly available financial statements of the company available prior to the announcement of the acquisition;

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tangible equity premium to core deposits (total deposits less time deposits greater than \$100,000) based on the latest publicly available financial statements of the acquired company prior to the announcement of the acquisition;

price per common share paid for the acquired company to last twelve months earnings per share of the acquired company;

price per common share paid for the acquired company to estimated earnings per share; and

price per common share paid for the acquired company to closing price of the acquired company one day prior to the announcement of the acquisition (expressed as a percentage and referred to as the 1-day market premium).

Acquiror	Acquiree	Stock Consideration (%)	Deal Value (\$mm)	Price / TBV (x)	Core Deposit Premium (%)	Price / LTM EPS (x)	Price / Est. EPS (x)	1 Day Market Premium (%)
Crescent Financial Bancshares, Inc.	ECB Bancorp, Inc.	100	54	0.81	(1.6)	NM	NM	59.5
First PacTrust Bancorp, Inc.	Private Bank of California	50	52	1.22	2.4	25.5	NA	25.6
Western Alliance Bancorporation	Western Liberty Bancorp	50	55	0.75	(17.7)	NM	NA	42.1
SCBT Financial Corporation	Savannah Bancorp, Inc.	100	67	0.83	(2.1)	NM	20.7	62.8
WesBanco, Inc.	Fidelity Bancorp, Inc.	80	73	1.67	7.1	56.4	NA	82.9
Customers Bancorp, Inc.	Acacia Federal Savings Bank	100	65	0.52	(9.5)	NM	NA	NA
Investors Bancorp, Inc. (MHC)	Marathon Banking Corporation	0	135	1.51	7.4	23.8	NA	NA
Berkshire Hills Bancorp, Inc.	Beacon Federal Bancorp, Inc.	50	130	1.11	3.2	22.6	24.2	48.9
United Financial Bancorp, Inc.	New England Bancshares, Inc.	100	85	1.53	6.3	19.1	NA	38.3
Trustmark Corporation	BancTrust Financial Group, Inc.	100	55	0.91	(0.4)	NM	NA	62.2
Park Sterling Corporation	Citizens South Banking Corporation	70	78	1.14	1.4	NM	NA	35.2
Independent Bank Corp.	Central Bancorp, Inc.	60	55	1.65	8.4	31.8	NA	77.3
PacWest Bancorp	American Perspective Bank	0	58	1.32	9.3	20.3	NA	31.7
Capital Bank Financial Corporation	Southern Community Financial Corporation	0	52	0.95	(0.4)	63.0	NM	62.8
Cadence Bancorp, LLC	Encore Bancshares, Inc.	0	257	2.40	18.2	NM	24.8	38.3
Tompkins Financial Corporation	VIST Financial Corp.	100	85	1.16	1.4	28.8	12.8	83.8
Old National Bancorp	Indiana Community Bancorp	100	82	1.20	1.9	NM	18.8	61.5
ViewPoint Financial Group, Inc.	Highlands Bancshares, Inc.	100	71	1.20	2.8	64.3	NA	NA
Susquehanna Bancshares, Inc.	Tower Bancorp, Inc.	75	342	1.49	6.0	NM	21.9	40.6
F.N.B. Corporation	Parkvale Financial Corporation	100	131	1.98	5.2	NM	NA	109.0
BankUnited, Inc.	Herald National Bank	67	70	1.32	7.9	NM	NA	0.1
Valley National Bancorp	State Bancorp, Inc.	100	230	1.88	9.6	23.7	22.2	25.7
Brookline Bancorp, Inc.	Bancorp Rhode Island, Inc.	50	234	1.93	11.8	22.9	22.1	57.1
IBERIABANK Corporation	Cameron Bancshares, Inc.	100	135	1.74	11.9	14.6	NA	NA
Susquehanna Bancshares, Inc.	Abington Bancorp, Inc.	100	274	1.24	9.1	33.4	31.1	13.8
People s United Financial, Inc.	Danvers Bancorp, Inc.	55	489	1.84	13.4	28.5	25.9	32.8

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The results of the analysis are set forth in the following table:

	<b>NBT / Alliance Merger</b>	<b>Recent Transactions Minimum</b>	<b>Recent Transactions Maximum</b>
Price to Tangible Book Value	211%	52%	240%
Core Deposit Premium	12.6%	(17.7%)	18.2%
Market Premium(1)	21.8%	0.1%	109.0%
Price to LTM EPS	19.3x	14.6x	64.3x
Price to Estimated EPS	20.4x	12.8x	31.1x

(1) Based on Alliance's stock price of \$39.41 on 10/5/2012

No company or transaction used as a comparison in the above analysis is identical to Alliance, NBT or the merger. Accordingly, an analysis of these results is not mathematical. Rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies.

*Financial Impact Analysis.* KBW performed pro forma merger analyses that combined projected income statement and balance sheet information of Alliance and NBT and, per KBW's discussions with NBT management, assumed the following: (1) the merger closes in the second quarter of 2013; (2) the exchange ratio represents a price of \$48.00 per share to Alliance's shareholders; (3) NBT would be able to achieve cost savings of 35% of Alliance's projected non-interest expense; (4) pre-tax transaction costs and expenses would total approximately \$15.2 million; (5) a core deposit intangible of approximately 1% of core deposits; (6) Alliance's performance was in accordance with earnings estimates provided by Alliance's management for 2013 and 2014; (7) NBT's performance was in accordance with earnings estimates provided by NBT's management for 2013 and 2014; and (8) a 1% credit mark-to-market value adjustment on Alliance's loan portfolio. NBT subsequently disclosed the foregoing information in its investor presentation filed with the SEC on October 9, 2012. Based on the foregoing assumptions, this analysis indicated that the merger is expected to be 3.9% accretive to NBT's estimated earnings per share in 2013, assuming a full year impact, and 6.1% accretive to NBT's estimated earnings per share in 2014. The analysis also indicated that for the period ending June 30, 2013 the merger is expected to be 4.4% accretive to book value per share and 5.7% dilutive to tangible book value per share for NBT and that NBT would maintain well capitalized capital ratios. For all of the above analyses, the actual results achieved by NBT following the merger will vary from the foregoing results and the projections on which they were based, and the variations may be material. NBT derived its 2013 earnings estimate from publicly-available analyst information and assumed a 4% growth rate in estimating its earnings for 2014.

*Discounted Cash Flow Analysis.* KBW performed a discounted cash flow analysis to estimate a range of the present values of after-tax cash flows that Alliance could provide to equity holders through 2016 on a stand-alone basis. In performing this analysis, KBW used earnings estimates for Alliance for 2012 to 2014 (see Net Income in the information provided under the heading Nonpublic Financial Projections Provided By Alliance) and a growth rate of 5.0% thereafter, both as provided by Alliance management, and assumed discount rates ranging from 10.0% to 16.0%, which were derived from the estimated cost of capital of the Alliance peer group. The range of values was determined by adding (1) the present value of projected cash flows to Alliance shareholders from 2012 to 2016 and (2) the present value of the terminal value of Alliance's common stock. In determining cash flows available to shareholders, KBW assumed balance sheet growth per Alliance management and assumed that Alliance would maintain a tangible common equity / tangible asset ratio of 7.50% and would retain sufficient earnings to maintain that level. Any earnings in excess of what would need to be retained represented dividendable cash flows for Alliance. In calculating the terminal value of Alliance, KBW applied multiples ranging from 12.0 times to 16.0 times 2017 forecasted earnings, which multiples were derived from the earnings of the Alliance peer group. This resulted in a range of values of Alliance from \$23.78 to \$36.50 per share. The discounted cash flow present value analysis is a widely used valuation methodology that relies on numerous assumptions, including asset and earnings growth rates, terminal values and discount rates. The analysis did not purport to be indicative of the actual values or expected values of Alliance.

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*Information Regarding KBW.* The Alliance board of directors retained KBW as financial adviser to Alliance regarding the merger. As part of its investment banking business, KBW is continually engaged in the valuation of bank and bank holding company securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for other purposes. As specialists in the securities of banking companies, KBW has experience in, and knowledge of, the valuation of banking enterprises. In the ordinary course of its business as a broker-dealer, KBW may, from time to time, purchase securities from, and sell securities to, Alliance and NBT. As a market maker in securities KBW may from time to time have a long or short position in, and buy or sell, debt or equity securities of Alliance and NBT for KBW's own account and for the accounts of its customers.

Pursuant to the KBW engagement agreement, Alliance agreed to pay KBW a cash fee equal to 1.08% of the aggregate consideration offered in the merger to be paid as follows: (1) one-third of the fee was paid at the time of signing of the merger agreement; (2) one-third of the fee shall be paid on the date of mailing of the definitive proxy statements to Alliance's shareholders for approval of the merger; and (3) one-third of the fee is payable at the time of closing of the merger. In addition, Alliance also agreed to reimburse KBW for reasonable out-of-pocket expenses and disbursements incurred in connection with its retention up to \$50,000 and to indemnify KBW against certain liabilities, including liabilities under the federal securities laws.

During the two years preceding the date of its opinion to Alliance, KBW has not received compensation for investment banking or financial advisory services from either Alliance or NBT. While KBW has not received any compensation from NBT in the past two years, KBW has from time to time provided investment banking and financial advisory services to NBT during such period.

### **Nonpublic Financial Projections Provided by Alliance**

Alliance does not, as a matter of course, publicly disclose forecasts or internal projections as to its future performance, earnings or other results due to the unpredictability of the underlying assumptions and estimates. However, KBW used internal financial projections for Alliance as provided by and/or reviewed with senior management of Alliance for the purpose of preparing its financial analyses used in rendering its fairness opinion, as described in this joint proxy statement/prospectus under the heading "Opinion of Keefe, Bruyette & Woods, Inc., Financial Advisor to Alliance" beginning on page 50. A summary of these projections is included in this joint proxy statement/prospectus because such projections were prepared and made available in the CIM described under the heading "Background of the Merger" and were used by KBW as described in the preceding sentence.

At the time the financial projections were prepared, the projections represented the best estimates and judgments of Alliance's management and, to the best of management's knowledge and belief, the future financial performance of Alliance. While the financial projections set forth below were prepared in good faith, no assurance can be given regarding future events. The financial projections are subjective in many respects and are thus susceptible to interpretation and periodic revision based on actual experience and recent developments. Accordingly, the financial projections set forth below cannot be considered a reliable predictor of future operating results. The financial projections were not prepared with a view toward public disclosure or with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information or published guidelines of the SEC regarding forward-looking statements. Although presented with numeric specificity, the financial projections reflect numerous estimates and assumptions that may not be realized and are subject to significant uncertainties and contingencies, many of which are beyond the control of Alliance. In light of the foregoing, as well as the uncertainties inherent in any financial projections, Alliance shareholders and NBT stockholders are cautioned not to unduly rely on these financial projections as a predictor of future operating results or otherwise.

The financial projections of Alliance included in this joint proxy statement/prospectus were prepared by, and were the responsibility of, Alliance's management. Neither Alliance's independent registered public

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accounting firm nor any other independent accounting firm examined, compiled or performed any procedures with respect to these financial projections and, accordingly, no opinion or any other form of assurance on such information or its achievability is expressed with respect to such financial projections. Inclusion of the financial projections in this joint proxy statement/prospectus shall not be deemed an admission or representation by Alliance or NBT that they are viewed by Alliance or NBT as material information of Alliance or NBT.

All of the financial projections are forward-looking statements. The estimates and assumptions underlying the financial projections set forth below involve judgments at the time the projections were prepared with respect to, among other things, future economic, competitive, regulatory and financial market conditions and future business decisions. In any event, these estimates and assumptions may not be realized and are inherently subject to significant business, economic, competitive and regulatory uncertainties, all of which are difficult to predict and many of which are beyond the control of Alliance. In addition, these financial projections represent Alliance's evaluation at the time the projections were prepared of its future financial performance on a stand-alone basis, and without reference to the proposed merger or transaction-related costs or benefits. Accordingly, there can be no assurance that the projected results would be realized or that actual results would not differ materially from those presented in the financial projections. The inclusion of these financial projections should not be interpreted as an indication that Alliance or NBT considers this information a reliable prediction of future results, or that the projections would be the same if prepared by Alliance as of the date of this document, and this information should not be unduly relied on for that purpose.

	December 31, 2012	For the Years Ending December 31, 2013	December 31, 2014
<b>Balance Sheet Highlights</b> (dollars in millions)			
Total Assets	\$ 1,448	\$ 1,484	\$ 1,561
Gross Loans Held For Investment	\$ 945	\$ 1,020	\$ 1,095
Total Deposits	\$ 1,111	\$ 1,151	\$ 1,191
Total Equity	\$ 149	\$ 155	\$ 160
Tangible Book Value / Share	\$ 23.31	\$ 24.69	\$ 25.89
<b>Capital Ratios</b>			
Tangible Common Equity / Total Assets	7.91%	8.16%	8.12%
Leverage Ratio	9.64%	9.78%	9.79%
Tier 1 Risk Based Capital	14.75%	14.36%	13.92%
Total Risk Based Capital	15.90%	15.51%	15.07%
<b>Income Statement Highlights</b> (dollars in thousands)			
Net Interest Income	\$ 41,323	\$ 42,010	\$ 43,127
Loan Loss Provision	\$ 500	\$ 1,279	\$ 2,865
Net Income	\$ 11,052	\$ 11,623	\$ 12,024
Earnings per Share	\$ 2.35	\$ 2.47	\$ 2.56
<b>Ratio Analysis</b>			
Net Interest Margin (Tax Equivalent)(1)	3.24%	3.24%	3.15%
Noninterest Income / Operating Revenue	29.9%	30.7%	31.8%
Efficiency Ratio(2)	73.4%	72.0%	69.8%
Return on Average Assets	0.78%	0.80%	0.79%
Return on Average Equity	7.54%	7.64%	7.60%

(1) Tax equivalent net interest income divided by average earning assets

(2) Non-interest expense divided by the sum of net interest income and non-interest income

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**Interests of Alliance s Directors and Executive Officers in the Merger**

Alliance executive officers and directors have financial interests in the merger that are in addition to, or different from, the interests of Alliance stockholders generally. The Alliance board of directors was aware of those interests and considered them, among other matters, when it approved the merger agreement.

As described below, these interests include certain payments and benefits that may be provided to directors and executive officers of Alliance upon completion of the merger, including acceleration of restricted stock awards and payment of discretionary bonuses, or upon termination of their employment under specified circumstances at the time of or following the merger, including cash severance and continued health insurance benefits.

The dates and share prices used below to quantify these interests have been selected based upon applicable disclosure requirements and are for illustrative purposes only. They do not necessarily reflect the dates on which certain events will occur and do not represent a projection about the future value of Alliance common stock.

*Share Ownership of Alliance Directors and Executive Officers.* On October 31, 2012, Alliance executive officers and directors beneficially owned, in the aggregate, 450,511 shares of Alliance common stock, representing approximately 9.42% of the outstanding shares of Alliance common stock. See the section of this joint proxy statement/prospectus titled "The Voting Agreement" beginning on page 91 for further information regarding the voting agreement between NBT and Jack H. Webb, the Chairman, Chief Executive Officer and President of Alliance.

*Alliance Directors to be Appointed to the Board of Directors of NBT and NBT Bank.* As of the closing date, NBT and NBT Bank will each expand the size of their board of directors by three seats and will designate Jack H. Webb and two other members of the board of directors of Alliance to serve on the board of directors of NBT and NBT Bank with Mr. Webb being elected to the eligible class of directors that has the longest remaining term as of the time of such election. Mr. Webb will not be compensated for his board service for so long as he is an employee of NBT or NBT Bank following the merger. However, the other two current Alliance directors will be compensated for their service on the board of directors of NBT and NBT Bank in accordance with the policies of NBT and NBT Bank applicable generally to their directors.

*Indemnification.* Under the merger agreement, NBT has agreed to indemnify the officers and directors of Alliance and Alliance Bank as provided in Alliance s certificate of incorporation and bylaws and in similar governing documents of Alliance Bank, as applicable, for a period of six years following the closing date of the merger.

*Directors and Officers Insurance.* Alliance will purchase an extension of its current directors and officers liability insurance coverage that will provide Alliance directors and officers with coverage (with respect to matters occurring prior to the merger) for six years following the closing date of the merger. Under the merger agreement, the aggregate cost of this coverage must be less than 200% of the annual premium currently paid by Alliance for such insurance. If this premium limit is insufficient for such coverage, Alliance may enter into an agreement to spend up to that amount to purchase such lesser coverage as may be obtained with such amount.

*Employment Agreement between Alliance Chief Executive Officer and NBT following the Merger.* On October 7, 2012, Jack H. Webb entered into an employment agreement with NBT pursuant to which Mr. Webb will serve as Executive Vice President, Strategic Support for NBT following the merger. The employment agreement provides for a lump sum payment equal to \$1,911,631 (subject to reduction to the extent that this payment would be an excess parachute payment within the meaning of Sections 280G and 4999 of the Internal Revenue Code) in satisfaction of all rights to payments under Mr. Webb s existing individual employment agreement with Alliance and Alliance Bank. Mr. Webb must enter into a general release of claims in favor of NBT, Alliance and Alliance Bank to receive this payment under the employment agreement. This payment under the new employment agreement would have otherwise been triggered under Mr. Webb s existing employment

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agreement with Alliance if his employment was terminated without cause or for good reason in connection with or within 24 months after the merger.

Mr. Webb's employment agreement with NBT has an initial term of one year following the closing date of the merger. Pursuant to this employment agreement, Mr. Webb will receive an annual base salary of \$300,000, a minimum bonus of \$180,000 for calendar year 2013, and a grant of 5,000 restricted stock units of NBT (subject to a vesting schedule to be determined by NBT). In addition, certain benefits currently maintained by Alliance and Alliance Bank for Mr. Webb will be continued by NBT during the term of his employment, such as participation in a supplemental employee retirement agreement (with adjustments made to ensure that Mr. Webb is not penalized thereunder for continued employment), split-dollar life insurance, automobile use and payment of certain club dues. Upon the termination of his employment with NBT, Mr. Webb will receive ownership of and title to the company-provided automobile currently utilized by him.

In the event of Mr. Webb's involuntary termination by NBT without cause or his voluntary termination for good reason following the merger but during the term of the employment agreement, Mr. Webb would be entitled to receive a severance benefit equal to the unpaid base salary that would have been paid under the terms of the employment agreement if he had remained employed for the term of the agreement. Mr. Webb will be required to enter into a general release of claims in favor of NBT to receive any severance payment under this agreement.

The employment agreement provides for the clawback of incentive compensation paid under certain circumstances and contains certain confidentiality obligations as well as non-competition and non-solicitation covenants for a period of two years following the termination of Mr. Webb's service relationship with NBT.

*Supplemental Employee Retirement Agreement.* Mr. Webb has previously entered into a supplemental employee retirement agreement, or SERP, with Alliance and Alliance Bank pursuant to which the company is required to pay Mr. Webb an annual benefit equal to 70% of his final average compensation in excess of his other retirement benefits. The retirement benefit will be paid to Mr. Webb in the form of a straight life annuity in monthly installments for life with 120 monthly installments guaranteed. The amounts due to him under the SERP are to be distributed upon the occurrence of a triggering event, including: (A) his termination of employment, except upon his termination for cause; or (B) his attaining the age of 65. The benefit due may be reduced if payment commences prior to August 1, 2017. Under the terms of Mr. Webb's employment agreement with NBT, the parties have agreed that the SERP will continue in full force and effect following the closing of the merger and Mr. Webb will continue to accrue a benefit under the SERP during the term of his employment with NBT. In connection with the merger, the parties will amend the SERP to provide that final average compensation will mean the annualized average of Mr. Webb's monthly base salary actually paid by the employer over the 36-month period ending on the closing date of the merger for Mr. Webb not to be penalized for providing service at a lower rate of pay following the merger; the SERP otherwise contains no adjustments or enhancements to the benefits provided related to the merger.

*Settlement Agreements with Certain Executive Officers.* On October 7, 2012, each of John H. Watt, Jr., Alliance Executive Vice President and director, and J. Daniel Mohr, Alliance Executive Vice President and Chief Financial Officer, entered into a settlement agreement with NBT, Alliance and Alliance Bank pursuant to which each executive will receive the payments and benefits provided under his settlement agreement in satisfaction of all rights to payments and benefits under the executive's individual employment agreement with Alliance and Alliance Bank. Rights to these payments under each executive's employment agreement would have otherwise been triggered absent the settlement agreement due to the executive's termination of employment in connection with the merger.

Under the settlement agreements, upon termination of their employment on the closing date of the merger, Messrs. Watt and Mohr will receive lump sum severance payments of \$725,850 and \$677,570, respectively. The settlement agreements also provide that the executives will receive ownership and title of the company-provided



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automobile currently utilized by the executive following their terminations of employment. The executives must enter into a general release of claims in favor of NBT, Alliance and Alliance Bank to receive the settlement payment under the settlement agreement. The settlement agreement for each of these executives is otherwise identical.

*Change of Control Agreements with Certain Other Executive Officers.* Each of James W. Getman and Steven G. Cacchio has previously entered into a change of control agreement with Alliance with identical terms, which will be assumed by NBT in connection with the merger. Under the change of control agreements, if the merger results in a termination of the executive's employment without cause or his voluntary termination for good reason within 24 months following a change of control (including the merger), the executive will receive a lump sum severance payment equal to 200% of his annual base salary in effect as of the date of termination. If such severance benefits were triggered as of October 31, 2012 (the latest practicable date prior to the filing of this joint proxy statement/prospectus), the total amount of such payment to Messrs. Getman and Cacchio would be approximately \$344,000 and \$340,000, respectively. If the executive constitutes a qualified beneficiary and elects continued coverage under COBRA, his health care coverage will be paid for by NBT for up to two years following termination or a shorter period until obtaining new employment offering health insurance. The executives must enter into a general release of claims to receive the severance payments under the change of control agreements. In connection with the merger, Alliance will amend the change of control agreements for Messrs. Getman and Cacchio to include the transfer to the executive of ownership and title of the company-provided automobile used by the executive following their terminations of employment as an additional severance benefit. Alliance has also previously entered into change of control agreements with four additional employees. Under these change of control agreements, if the merger results in a termination of the employee's employment without cause or due to constructive termination, the employee will receive a lump sum severance payment equal to 100% of the employee's annual base salary in effect as of the date of termination. If the employee constitutes a qualified beneficiary and elects continued coverage under COBRA, the employee's health care coverage will be paid for by NBT for up to one year following termination or a shorter period until obtaining new employment offering health insurance. The employees must enter into a general release of claims to receive the severance payments under the change of control agreements. Following execution of the merger agreement, one of these employees, Richard J. Shirtz, entered into an employment agreement with NBT to be effective upon the closing of the merger which supersedes the employee's change of control agreement. However, this agreement provides for similar severance benefits should termination of employment occur. If the severance rights of all four executives were triggered on October 31, 2012 the total aggregate amount of cash severance payable would be approximately \$669,000.

*Acceleration of Payments under the Executive Incentive Retirement Plan.* Alliance maintains an Executive Incentive Retirement Program for the benefit of certain officers of Alliance, including Messrs. Watt, Mohr, Getman and Cacchio. This program provides for a deferred bonus award that vests at the rate of 20% per year while the participant is employed by Alliance and automatically vests upon (A) the participant's death or disability, (B) the occurrence of a change of control, or (C) upon the occurrence of the participant's separation from service at or after attaining normal retirement age. The board of directors of Alliance elected to cease paying deferred bonuses under this program in 2009 such that the amounts of deferred bonus for which vesting will be accelerated (assuming the closing date of the merger occurs on October 31, 2012, the latest practicable date prior to filing this joint proxy statement/prospectus) will be \$7,672 to Mr. Watt, \$7,032 to Mr. Mohr, \$6,350 to Mr. Getman, and \$5,584 to Mr. Cacchio.

*Acceleration of Restricted Stock Awards.* All holders of Alliance restricted stock, including executive officers of Alliance, will be entitled to acceleration of all of the unvested shares of restricted stock immediately prior to the closing of the merger in accordance with the existing terms of the restricted stock grants. No unvested restricted stock is held by our non-employee directors. The following table identifies for each Alliance executive officer as of October 31, 2012, the number of unvested shares of restricted stock held by such officer that will accelerate in connection with the merger and includes the dollar value of such unvested shares, assuming that the per share consideration is \$45.76 per share (the average closing market price of Alliance common stock over the first five business days following the public announcement of the merger on October 8, 2012) assuming the

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closing date of the merger occurs on October 31, 2012, the last practicable date prior to the filing of this joint proxy statement/prospectus.

Name	Number of Shares	Value(1)
Jack H. Webb	15,551	\$ 711,614
John H. Watt, Jr.	9,170	\$ 419,619
J. Daniel Mohr	8,498	\$ 388,868
James W. Getman	6,017	\$ 275,338
Steven G. Cacchio	6,392	\$ 292,498

(1) Assumes that the per share consideration in the merger will be \$45.76 per share (the average closing market price of Alliance common stock over the first five business days following the public announcement of the merger on October 8, 2012).

*Employee Severance Program.* Under the merger agreement, each employee of Alliance or Alliance Bank who is terminated by NBT between the closing date of the merger and the one-year anniversary of the closing date of the merger other than for cause and who is not covered by another agreement providing severance benefits will be entitled to receive severance payments in an amount equal to: (A) for salaried employees, 2 weeks of weekly base salary for each full year of service with Alliance, with a minimum of 5 weeks and a maximum of 26 weeks; and (B) for hourly employees, 2 weeks of weekly hourly pay (based on the average number of hours worked each week for the past 26 weeks on a part time basis), with a minimum of 5 weeks and a maximum of 26 weeks. Employees will also receive pay for accrued and unused vacation and a cash payment for employer contributions for health insurance premiums for a period of up to three months. The employee must enter into a release of claims to receive the severance benefits.

*Short-Term Incentive Compensation for 2012.* Under the merger agreement, Alliance may pay bonuses to employees earned for calendar year 2012 on December 13, 2012, based on the projected results of Alliance for the full calendar year. In general, these payments will be made in accordance with the terms of Alliance's short-term incentive compensation plan, as in effect on the date of the merger agreement. The aggregate amount of payments that may be made under this plan is \$600,000 plus an incremental bonus amount of up to 25% of Alliance's net income over budget. The compensation committee of Alliance will allocate individual bonus amounts to plan participants in accordance with its normal process. Projected bonus amounts to the named executive officers (based upon current Alliance performance projected for the remainder of the calendar year) would result in payments of approximately \$179,800 to Mr. Webb, \$93,900 to Mr. Watt, \$93,500 to Mr. Mohr, \$55,700 to Mr. Getman and \$61,300 to Mr. Cacchio.

*Short-Term Incentive Compensation for 2013.* Under the merger agreement, Alliance may establish a bonus plan for employees for calendar year 2013 that is consistent with the terms of the bonus plan utilized for 2012, which will provide bonuses to employees through December 31, 2013. Bonuses to employees whose employment is terminated as of the closing date of the merger will be paid on a pro-rata basis for the period between January 1, 2013 and the closing date based on Alliance's results through such date. These pro-rated bonuses will be paid in a lump sum following the closing. Bonuses to employees whose employment terminates between the closing date of the merger and December 31, 2013 will be paid on a pro-rata basis for the period between January 1, 2013 and their termination date based upon Alliance's achievement of the performance targets through their termination date. These pro-rated bonuses will be paid in a lump sum following the employee's termination. Bonuses to employees whose employment is not terminated during 2013 will receive a full non-prorated bonus for calendar year 2013 in the ordinary course and in any event no later than March 15, 2014. The aggregate amount of payments that may be made under this plan is \$600,000. The compensation committee of Alliance will allocate individual bonus amounts to plan participants in accordance with its normal compensation process.

*Retention and Discretionary Bonuses.* Under the merger agreement, Alliance, Alliance Bank and NBT will establish an employee retention program pursuant to which \$525,000 will be allocated to employees of Alliance

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and its subsidiaries based on the mutual agreement of Alliance's chief executive officer and NBT's chief executive officer. No amounts will be allocated under this employee retention program to any employee with a severance or change of control agreement with Alliance, including Alliance's executive officers. The retention bonuses will be paid at such times and subject to conditions described in a letter agreement with each employee receiving a retention bonus.

In addition, under the merger agreement, Alliance may allocate up to \$400,000 in discretionary bonuses to employees of Alliance and Alliance Bank to be paid on the closing date of the merger. The compensation committee of Alliance will determine the discretionary bonus amounts to be allocated to employees, and has indicated that it anticipates making the following allocations to named executive officers of Alliance: \$50,000 to Mr. Watt, \$100,000 to Mr. Mohr, and \$25,000 each to Messrs. Getman and Cacchio.

*Director Stock-Based Deferral Plan.* Alliance maintains a Stock-Based Deferral Plan that provides non-employee directors with the option to defer receipt of all or a portion of their directors' fees. Amounts deferred under this plan are invested in shares of Alliance common stock through open market purchases executed by a trustee. Dividends paid on shares of stock in this plan are reinvested in Alliance common stock. Participants can elect to receive stock distributions in a lump sum or in equal installments over a specified period of time. In addition, participants may have previously made a separate election for distributions to commence at a change of control, which includes the merger. Depending upon the individual elections made by the directors, amounts may be immediately payable to certain directors upon the closing of the merger. However, all amounts accrued under this plan are fully vested at all times irrespective of the occurrence of the merger.

*Director Retirement Plan.* Alliance maintains a Director Retirement Plan to provide an additional source of retirement income to non-employee directors in recognition of their service on the board of directors of Alliance. The Director Retirement Plan ordinarily provides a benefit upon termination of service to those directors who have served at least three years prior to termination that is equal to 35% of the director's average annual director's fees increased by (A) one percent for each full year of service up to a maximum of 25% and (B) by an additional ten percent if the director served as a committee chair for at least three years (which years may be nonconsecutive) with such amount being paid in lump sum or ten annual installments as elected by each director. Due to the occurrence of the merger, this plan will make a lump sum payment of the retirement benefit to each non-employee director shortly after the closing date of the merger irrespective of whether the director continues in the service of NBT following the merger. The amount of this payment will be the present value of the normal retirement benefit (discussed above) owed under the plan computed as if each director serving as a committee chair on the closing date of the merger had completed three years of service as chair. This benefit will be computed using the average of the directors' fees earned in the three years of completed service prior to the date of the merger.

*Directors Compensation Deferral Plan.* Alliance maintains a Directors Compensation Deferral Plan that once provided directors with the option to defer receipt of all or a portion of their directors' fees. Amounts previously deferred under this plan (other than amounts deferred by Mr. Webb) were subsequently transferred to the Director Stock-Based Deferral Plan (discussed above) and are governed by the terms of that plan. As of October 31, 2012, Mr. Webb's account under this plan is \$33,611. This amount is fully vested irrespective of the occurrence of the merger and is credited with interest monthly at an annual rate of 0.25%. Mr. Webb's account balance under this plan will be paid in a lump sum upon the closing of the merger.

**NBT's Reasons for the Merger**

In reaching its decision to approve the merger agreement and related transactions, the NBT board of directors consulted with senior management, its financial advisors, and its legal counsel and considered a number of factors, including, among others, the following, which are not presented in order of priority:

information concerning the business, operations, financial condition, earnings and prospects of each of NBT and Alliance as separate entities and on a combined basis;

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the complementary geographical locations of Alliance's branch network, which NBT believes will augment its operations in the market areas in central New York where NBT is increasing its presence;

the opportunity to further diversify NBT's geographical markets and customer base as a whole, by expanding the size of its footprint through the merger, and to do so in markets similar to those in which it currently operates;

the nature and size of the markets that Alliance serves (including the Syracuse market), Alliance's favorable competitive positions in those markets, and NBT's knowledge of those markets;

the compatibility of the cultures of NBT and Alliance, particularly with respect to the meeting of local banking needs and strong community ties;

the potential challenges in combining the two companies and NBT's past experience and success in the acquisition and integration of banks;

the agreement by Jack H. Webb to remain with the combined company for one year following the merger, the proposed operation of the Alliance bank franchise under the direction of a Regional President appointed from the Alliance staff, and the addition of three Alliance board members to the NBT board;

the potential for the combined company to enhance non-interest income growth by providing enhanced and additional financial products and services to the customers of Alliance;

the business, operations, technology, asset quality, stock price performance, financial condition and results of operations of Alliance on an historical and a prospective basis;

the anticipated operating efficiencies, cost savings and opportunities for revenue enhancements of the combined company following the completion of the merger, and the likelihood that they would be achieved after the merger;

the expected impact of the merger on NBT's capitalization, including the dilution to existing NBT stockholders and the effect of the merger on tangible book value per share;

the structure of the merger and the financial and other terms of the merger agreement, including the fixed exchange ratio and Alliance's right to terminate the merger agreement if the average closing price of NBT common stock for a specified period prior to closing is less than \$17.74 and NBT common stock underperforms a specified peer group index by more than 20% (with NBT's option to increase the exchange ratio to avoid termination);

the deal protection provided by the terms of the merger agreement and the termination fee of approximately \$9.3 million payable to NBT under certain circumstances;

the oral opinion of AFG (which was subsequently confirmed in writing) that, as of October 7, 2012 and based upon and subject to the factors and assumptions set forth in its written opinion, the merger consideration was fair, from a financial point of view, to NBT,

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as more fully described under Opinion of Ambassador Financial Group, Financial Advisor to NBT beginning on page 66;

the intended tax treatment of the merger as a tax-free reorganization; and

the likelihood of receiving all of the regulatory approvals required for the merger.

The foregoing discussion of the factors considered by the NBT board of directors is not intended to be exhaustive, but does set forth the principal factors considered by the board. Based on the factors described above, the NBT board of directors determined that the merger with Alliance was advisable and that the merger agreement and the transactions contemplated by the merger agreement were in the best interests of NBT and its stockholders, and voted unanimously to adopt and approve the merger agreement and related documents and the transactions contemplated by the merger agreement. In view of the wide variety and complexity of factors considered by the NBT board of directors in connection with its evaluation of the merger, the board of directors did not consider it practical, and did not attempt, to quantify, rank or otherwise assign relative weights to the specific factors it considered in reaching its decision and did not undertake to make any specific determination as

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to whether any particular factor, or any aspect of any factor, was favorable or unfavorable to the ultimate determination of the board. Rather, the NBT board of directors made its recommendation based on the totality of information presented to and the investigation conducted by it. In considering the factors discussed above, individual directors may have given different weights to different factors.

### **Recommendation of the NBT's Board of Directors**

The NBT board of directors has unanimously adopted and approved the merger agreement and recommends that NBT stockholders vote **FOR** adoption and approval of the merger agreement and the transactions contemplated thereby.

### **Opinion of Ambassador Financial Group, Financial Advisor to NBT**

AFG acted as financial advisor to NBT in connection with NBT's potential acquisition of Alliance pursuant to the merger agreement. On September 29, 2012, NBT formally retained AFG to act as its financial advisor with respect to the possible acquisition of, or merger or other business combination with, Alliance. AFG, as a customary part of its business, is continually engaged in the valuation of commercial banks, bank holding companies, savings and loan associations, savings banks and savings and loan holding companies in connection with mergers, acquisitions and other securities-related transactions. AFG has knowledge of, and experience with, the banking market in which both NBT and Alliance operate, and was selected by NBT because of AFG's knowledge of, experience with, and reputation in the financial services industry.

On October 3, 2012 and again on October 7, 2012, NBT's board of directors held meetings to evaluate the proposed transaction with Alliance. In its capacity as NBT's financial advisor, AFG participated in discussions with NBT's board of directors and management with respect to the pricing and other terms and conditions of the merger, but the decision as to whether to execute the merger agreement with Alliance and the pricing of the merger was made by NBT's board. At the October 7 meeting, AFG rendered an oral fairness opinion to NBT's board which was confirmed in writing as of October 7, 2012 (a copy of which is attached as Annex C), that based on and subject to the assumptions, factors, and limitations as set forth in the opinion and as described below, the consideration was fair to the stockholders of NBT from a financial point of view. No limitations were imposed by NBT's board upon AFG with respect to the investigations made or procedures followed by it in arriving at its opinion.

**The full text of AFG's written opinion is attached as Annex C and is incorporated in its entirety into this joint proxy statement/prospectus by reference. The opinion outlines the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by AFG in rendering its opinion. The description of the opinion set forth below is qualified in its entirety by reference to the opinion. NBT and Alliance stockholders are urged to read the entire opinion carefully in connection with their consideration of the proposed merger agreement.**

**AFG's opinion speaks only as of the date of the opinion. The opinion was directed to NBT's board and is directed only to the fairness to NBT stockholders of the merger consideration to be paid to Alliance shareholders from a financial point of view. It does not address the underlying business decision of NBT to engage in the merger or any other aspect of the merger and is not a recommendation to any NBT stockholder as to how such stockholder should vote at the special meeting with respect to the merger agreement or any other matter.**

In connection with rendering its October 7, 2012 opinion, AFG reviewed and considered, among other things:

The draft merger agreement;

Alliance's audited consolidated balance sheets as of December 31, 2011 and 2010 and related audited consolidated statements of income, statements of changes in shareholders' equity and statements of cash flows for the fiscal years ended December 31, 2011 and 2010;

Alliance's Annual Reports on Form 10-K for the years ended December 31, 2011, 2010 and 2009 and Quarterly Reports on Form 10-Q for the quarters ended June 30, 2012 and March 31, 2012;



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NBT's Annual Reports on Form 10-K for the years ended December 31, 2011, 2010 and 2009 and Quarterly Reports on Form 10-Q for the quarters ended June 30, 2012 and March 31, 2012;

Other publicly-available information regarding NBT and Alliance;

Certain non-public information, including business plans, financial projections and loan reviews, regarding Alliance as provided to AFG by NBT;

Certain non-public information, including business plans and financial projections, regarding NBT as provided to AFG by NBT;

Recent reported stock prices and trading activity of NBT's and Alliance's common stock;

Past and current operations, financial condition and future prospects of each company as discussed with senior executives of NBT and Alliance;

Certain publicly-available financial, transaction and stock market data of banking companies that AFG selected as relevant to its analysis; and

AFG's assessment of the overall economic environment and market conditions, as well as its experience in mergers and acquisitions, bank stock valuations and other transactions.

AFG also conducted other analyses and reviewed other information as it considered necessary or appropriate.

In connection with its review, AFG relied upon and assumed, without independent verification, the accuracy and completeness of the financial and other information regarding NBT, Alliance and their respective subsidiaries that was publicly available or provided to AFG by NBT, Alliance or their respective representatives. AFG discussed certain operating forecasts and financial projections of NBT and Alliance (and the assumptions and bases therefor) with the management of NBT. AFG assumed that those forecasts and projections reflected the best estimates and judgments of management then available. In certain instances, for the purposes of its analyses, AFG made adjustments to those forecasts and projections, which in AFG's judgment were appropriate under the circumstances (see *Financial Impact Analysis* below). AFG was not retained to nor did it make any independent evaluation or appraisal of Alliance's assets or liabilities nor did AFG review any loan files of Alliance or its subsidiaries. AFG also assumed that the merger in all respects is, and will be, undertaken and consummated in compliance with all laws and regulations that are applicable to NBT and Alliance and that in the course of obtaining the necessary regulatory or other consents or approvals (contractual or otherwise) for the merger, no restrictions, including any divestiture requirements or amendments or modifications, will be imposed that will have a material adverse effect on the future results of operations or financial condition of NBT, Alliance, or the combined entity, as the case may be, or on the contemplated benefits of the merger, including the expected synergies of the merger. Expected synergies include non-interest expense reductions and potential enhancements to revenues that may result from greater efficiencies of the combined organization.

The operating forecasts and financial projections discussed with AFG were prepared by the managements of NBT or Alliance without input from or guidance by AFG. Earnings projections for Alliance were included in the Confidential Information Memorandum provided to NBT by Alliance and its investment banker. NBT and Alliance do not publicly disclose internal management forecasts and projections of the type discussed with and provided to AFG in connection with its review of the merger. The forecasts and projections were not prepared with a view towards public disclosure. When reading the forecasts and projections included in this joint proxy statement/prospectus, stockholders are advised that the projections were based on numerous variables and assumptions which are inherently uncertain, including factors related to general economic, regulatory and competitive conditions. Accordingly, actual results could vary significantly from those set forth in such forecasts and projections.

The preparation of a fairness opinion for a transaction such as the merger involves various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, AFG's opinion is not readily



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susceptible to summary description. In arriving at its opinion, AFG performed a variety of financial analyses. AFG believes that its analyses must be considered as a whole and the consideration of portions of those analyses and the factors considered in those analyses, or any one

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method of analysis, without considering all factors and analyses, could create an incomplete view of the analyses and the process underlying AFG's opinion. No one method of analysis was assigned a greater significance than any other. In addition, the financial analyses summarized below include information presented in tabular format. The tables alone do not constitute a complete description of the financial analyses performed by AFG.

In its analyses, AFG made numerous assumptions with respect to industry performance, general business, regulatory and economic conditions, and other matters, many of which are beyond the control of NBT or Alliance. Any estimates contained in AFG's analyses are not necessarily indicative of future results or values, which may be significantly more or less favorable than such estimates. Estimates of values of companies do not purport to be appraisals nor do they necessarily reflect the prices at which companies or their securities may actually be sold.

AFG's opinion was based solely upon the information available to it and the economic, market, regulatory and other circumstances, as they existed as of the date of its opinion. Events occurring after that date could materially affect the assumptions and conclusions contained in AFG's opinion. AFG has not undertaken to reaffirm or revise its opinion or otherwise comment upon any events occurring after the date of its opinion. AFG expressed no opinion as to what the value of NBT common stock will be when issued to Alliance shareholders pursuant to the merger agreement or the prices at which NBT and Alliance common stock may trade at any time.

**AFG's opinion was directed to the board of directors of NBT in connection with its consideration of the merger and does not constitute a recommendation to any stockholder of NBT or Alliance as to how such stockholder should vote at any meeting of stockholders called to consider and vote upon the merger agreement. AFG's opinion is directed only to the fairness, from a financial point of view, of the merger consideration to NBT stockholders and does not address the underlying business decision of NBT to engage in the merger, the relative merits of the merger as compared to any other alternative business strategies that might exist for NBT or the effect of any other transaction in which NBT might engage. AFG's opinion was approved by AFG's fairness opinion committee. AFG has consented to the inclusion of its opinion and a summary of its opinion in this joint proxy statement/prospectus and in the registration statement on Form S-4 which includes this joint proxy statement/prospectus. AFG did not express any opinion as to the fairness of the amount or nature of the consideration to be received in the merger by any NBT or Alliance officer, director, or employee, or class of such persons, relative to the consideration to be received in the merger by any other stockholders.**

The following is a summary of the material analyses and procedures performed by AFG in the course of arriving at its opinion. The following summary does not purport to be a complete description of the analyses and procedures performed by AFG in the course of arriving at its opinion.

*Summary of Proposal.* AFG reviewed the financial terms of the proposed transaction. Using the fixed exchange ratio of 2.1779 multiplied by NBT's stock price for the merger (\$22.04, which was the average of the closing prices of NBT common stock for the five trading days ending October 5, 2012), AFG calculated a transaction value of \$48.00 per share. Based upon financial information for Alliance as of or for the quarter ended June 30, 2012, AFG calculated the following transaction ratios:

	Price/ Earnings*	Price/ Book	Price/ Tangible Book	Price/ Assets
As of October 5, 2012 (\$22.04 5 day Avg.)	<b>19.4x</b>	<b>156%</b>	<b>211%</b>	<b>16.4%</b>
As of October 2, 2012 (\$22.16 5 day Avg.)	19.2x	158%	213%	16.3%
Last 10 trading days (\$22.18)	19.5x	157%	212%	16.5%
Last 30 trading days (\$21.89)	19.3x	156%	210%	16.3%

\* Transaction value as of October 5, 2012 divided by Last Twelve Months (LTM) core Earnings Per Share. Core earnings is defined as net income after taxes and before extraordinary items, less net income attributable to noncontrolling interest, the after-tax portion of income from investment securities and nonrecurring items.

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*Comparable Company Analysis.* AFG used publicly-available information to perform a comparison of selected financial and market trading information for Alliance and NBT.

The Alliance peer group consisted of banks and thrifts with assets between \$1 billion and \$10 billion headquartered in Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont and West Virginia. The peer group was comprised of 73 institutions. The principal criteria for this peer group were size of the institution and market place geography.

The analysis compared publicly-available financial information for Alliance (six months ended June 30, 2012) and the median financial data for the Alliance peer group as of and for the six months ended June 30, 2012. The table below sets forth the data for Alliance (fiscal years 2008 through 2011 and six months ended June 30, 2012) and the median data for the Alliance peer group as of and for the six months ended June 30, 2012.

Period	Assets	Common Tangible Equity (CTE) (in millions)	Net Income (in thous.)	CTE/ Tangible Assets	Return on Avg. Assets	Return on Avg. Equity
2008	1,367	74.0	10,357	5.59	.78	8.77
2009	1,417	81.8	11,448	5.95	.81	8.68
2010	1,455	93.6	11,624	6.62	.81	9.17
2011	1,409	105.5	13,297	7.69	.92	9.88
<b>2012*</b>	<b>\$ 1,423</b>	<b>\$ 108.8</b>	<b>\$ 5,558</b>	<b>7.85%</b>	<b>.78%</b>	<b>7.86%</b>
Peers (Median)*				8.29%	.80%	7.98%

\* As of June 30, 2012 or the six months ended June 30, 2012

AFG created a peer group for NBT. It consisted of the following publicly-traded commercial banks and thrifts.

BancFirst Corporation (OK)	National Penn Bancshares, Inc. (PA)
BBCN Bancorp, Inc. (CA)	Northwest Bancshares, Inc. (PA)
Boston Private Financial Holdings, Inc. (MA)	Provident Financial Services, Inc. (NJ)
Chemical Financial Corporation (MI)	Texas Capital Bancshares, Inc. (TX)
Community Bank System, Inc. (NY)	Trustmark Corporation (MS)
CVB Financial Corp. (Canada)	United Bankshares, Inc. (WV)
Independent Bank Corp. (MA)	WesBanco, Inc. (WV)

The criteria that determined the composition of this peer group is listed below:

Total assets between \$5 billion and \$10 billion

Less than 3% of total assets comprised of troubled assets

Return on average equity greater than 5% for the trailing twelve months

Average daily trading volume greater than 1,000 shares

No institution that currently maintains TARP funds was included

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The analysis compared publicly-available financial information for NBT and the median financial and market data for the NBT peer group as of and for the last twelve months ended June 30, 2012. AFG also considered a subset of the peer group comprised of institutions that were headquartered in the Northeast. The table below sets forth the data for NBT and the median data for the NBT peer group as of and for the last twelve months ended June 30, 2012 and using stock prices as of October 2, 2012.

	NBT	Peer Median	Northeast Median
Assets (in millions)	\$ 5,968	\$ 6,829	\$ 6,829
Tangible Common Equity / Tangible Assets	6.84%	8.42%	7.57%
Return on Average Equity	10.28%	9.00%	8.17%
Net Income / Average Assets	1.00%	.95%	.91%
Efficiency Ratio	64%	57%	57%
Non-performing Assets + 90 days past due / Assets	.79%	1.59%	1.53%
Price / LTM Earnings	13.2x	14.4x	14.8x
Price / Book Value	131%	128%	120%
Price / Tangible Book Value	188%	162%	174%
Price / Total Assets	12.5%	15.1%	14.2%
Dividend Yield	3.63%	3.34%	3.63%

*NBT Discounted Dividend Analysis.* AFG also conducted a discounted dividend analysis to value NBT's common shares as of October 7, 2012. Using a discounted dividend analysis, AFG estimated the present value of the future dividend stream that NBT could produce. As a basis for performing this analysis, AFG utilized certain estimated asset growth rates provided by NBT's management, current balance sheet information and historic earnings performance for NBT. These estimates were based upon various factors and assumptions, many of which are beyond management's control. These estimates are, by their nature, forward-looking and may differ materially from actual future values or results for the reasons discussed above. Actual future values or results may be significantly more or less favorable than suggested by those estimates. In producing a range of NBT's estimated per share value, AFG utilized the following assumptions, which were based on AFG's review of current market conditions and its experience and judgment in valuations as applied to NBT: discount rates ranging from 11% to 13%; and terminal price/earnings multiples ranging from 12x to 14x. AFG's analysis considered a five-year period. The discounted dividend analysis produced the range of net present values per share of NBT common stock illustrated in the table below:

	Discount Rate		
	11%	12%	13%
<b>Discounted Dividends 14X earnings</b>			
Value (in millions)	\$ 768.3	\$ 721.8	\$ 678.6
Per share*	\$ 22.75	\$ 21.45	\$ 20.24
Price to LTM EPS as of 6/30/12	13.8x	12.9x	12.2x
Price as a % of Tangible Book as of 6/30/12	194%	182%	171%
<b>Discounted Dividends 12X earnings</b>			
Value (in millions)	\$ 685.1	\$ 644.3	\$ 606.5
Per share*	\$ 20.42	\$ 19.27	\$ 18.21
Price to LTM EPS as of 6/30/12	12.3x	11.5x	10.9x
Price as a % of Tangible Book as of 6/30/12	173%	162%	153%

\* Assumes 6% asset growth, starting capital of \$566.5 million, a 9.49% capital-to-asset ratio, earnings of \$55.8 million based on the last twelve months ended June 30, 2012, going forward returns on average assets of 1.10%, shares outstanding of 33,735,786 and 1,863,590 options with a weighted average exercise price of \$22.41 per share.

These analyses do not purport to be indicative of actual values or expected values or an appraisal range of the shares of NBT's common stock. The discounted dividend analysis is a widely used valuation methodology.

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but AFG noted that it relies on numerous assumptions, including expense savings levels, dividend payout rates, terminal values and discount rates, the future values of which may be significantly more or less than such assumptions. Any variation from these assumptions would likely produce different results.

*Stock Trading History.* AFG reviewed the history of the publicly-reported trading prices of Alliance and NBT for a three-year period ended October 5, 2012. AFG considered the history in relation to commonly used equity valuation multiples. The table below illustrates AFG's analysis:

	Stock Price	LTM Earnings	Price/ Tangible Book	Dividend Yield
<b>NASDAQ: Alliance</b>				
10/5/2012*	\$ 39.41	17.0x	173%	3.15%
6/30/2012*	34.34	14.8	151	3.61
12/30/2011	30.88	11.0	140	4.02
12/31/2010	32.35	13.0	163	3.71
12/31/2009	27.15	12.1	153	4.13
<b>NASDAQ: NBT</b>				
10/5/2012*	\$ 22.15	13.8x	188%	3.61%
6/30/2012*	21.59	13.5	184	3.71
12/30/2011	22.13	12.9	189	3.62
12/31/2010	24.15	14.5	207	3.31
12/31/2009	20.37	13.3	190	3.93

\* Financial data as of June 30, 2012 or for the six months ended June 30, 2012

*Alliance Discounted Dividend Analysis.* Using a discounted dividend analysis, AFG estimated the present value of the future dividend stream that Alliance could produce. As a basis for performing this analysis, AFG utilized certain earnings per share estimates and growth rates provided by NBT's management (see Nonpublic Financial Projections Provided by Alliance beginning on page 58). These projections were based upon various factors and assumptions, many of which are beyond management's control. These projections are, by their nature, forward-looking and may differ materially from actual future values or results for the reasons discussed above. Actual future values or results may be significantly more or less favorable than suggested by those projections. In producing a range of Alliance's estimated per share value, AFG utilized the following assumptions: discount rates ranging from 10% to 14%; terminal price/earnings multiples ranging from 12x to 14x; and earnings that included estimated savings in Alliance's non-interest expense equal to 35% in year one following the merger. The discount rates and terminal price/earnings multiples were based on AFG's review of current market conditions and its experience and judgment in valuations as applied to Alliance, and the estimate of potential cost savings was the result of NBT's diligence review of Alliance's corporate operations. AFG's analysis considered a five-year period. The discounted dividend analysis produced the range of net present values per share of Alliance's common stock illustrated in the table below:

	Discount Rate		
	10%	12%	14%
<b>Stand Alone</b>			
<b>Discounted Dividends 14X earnings</b>			
Value (in millions)	\$ 158.5	\$ 148.7	\$ 139.6
Per share*	<b>\$ 33.13</b>	<b>\$ 31.08</b>	<b>\$ 29.18</b>
Price-to-earnings	13.1x	12.3x	11.6x
Price as percent of tangible book	146%	137%	128%
<b>Discounted Dividends 12X earnings</b>			
Value (in millions)	\$ 140.5	\$ 131.9	\$ 124.0
Per share*	<b>\$ 29.36</b>	<b>\$ 27.57</b>	<b>\$ 25.92</b>
Price-to-earnings	11.6x	10.9x	10.3x
Price as percent of tangible book	129%	121%	144%



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	Discount Rate		
	10%	12%	14%
<b>With Cost Savings**</b>			
<u>Discounted Dividends 14X earnings</u>			
Value (in millions)	\$ 239.6	\$ 225.3	\$ 212.0
Per share*	<b>\$ 50.08</b>	<b>\$ 47.09</b>	<b>\$ 44.31</b>
Price-to-earnings	19.9x	18.7x	17.6x
Price as percent of tangible book	220%	207%	195%
<u>Discounted Dividends 12X earnings</u>			
Value (in millions)	\$ 214.5	\$ 201.9	\$ 190.2
Per share*	<b>\$ 44.83</b>	<b>\$ 42.20</b>	<b>\$ 39.75</b>
Price-to-earnings	17.8x	16.7x	15.8x
Price as percent of tangible book	197%	186%	175%

\* Assumes 6% asset growth, starting capital of \$146.8 million, a 10.32% capital-to-asset ratio, earnings of \$12.1 million based on the last twelve months ended June 30, 2012, going forward returns on average assets of 1.10%, and shares outstanding of 4,784,698.

\*\* Assumes 35% savings in Alliance's non-interest expense.

These analyses do not purport to be indicative of actual values or expected values or an appraisal range of the shares of Alliance's common stock. The discounted dividend analysis is a widely used valuation methodology, but AFG noted that it relies on numerous assumptions, including expense savings levels, dividend payout rates, terminal values and discount rates, the future values of which may be significantly more or less than such assumptions. Any variation from these assumptions would likely produce different results.

*Analysis of Selected National Transactions.* AFG reviewed the terms of merger transactions announced from January 1, 2009 through October 5, 2012 involving nationwide public banks and thrifts with announced transaction values of greater than \$100 million and less than \$500 million. AFG deemed these transactions to be reflective of the proposed NBT and Alliance transaction. AFG reviewed the following ratios and multiples: deal value; transaction price to last twelve months earnings per share; transaction price to stated book value; transaction price to stated tangible book value; and transaction price to assets. As illustrated in the following table, AFG compared the proposed merger multiples to the median multiples of the comparable transactions.

Acquiror/Seller (Seller State)	Deal Value (In mill.)	LTM Earnings	Price/		
			Book	Tangible Book	Assets
<b>NBT Bancorp/Alliance Financial</b>	<b>\$233</b>	<b>19.4x</b>	<b>156%</b>	<b>211%</b>	<b>16.4%</b>
Berkshire Hills Bancorp, Inc./Beacon Federal Bancorp, Inc. (NY)	130	24.3x	117%	117%	13.0%
Brookline Bancorp, Inc./Bancorp Rhode Island, Inc. (RI)	234	23.8	182	201	14.6
Cadence Bancorp, LLC/Encore Bancshares, Inc. (TX)	251	34.7	145	189	16.5
Capital Bank Financial Corp./Southern Community Financial Corp. (NC)	120	32.2	122	122	8.1
Community Bank System, Inc./The Wilber Corporation (NY)	102	13.4	132	140	11.0
Eastern Bank Corp./Wainwright Bank & Trust Co. (MA)	163	23.1	219	221	15.6
IBERIABANK Corp./Cameron Bancshares, Inc. (LA)	135	14.6	174	174	19.1
Investors Bancorp, Inc./Marathon Banking Corp. (NY)	135	23.8	123	151	15.0
People's United Financial, Inc./Danvers Bancorp, Inc. (MA)	489	30.6	167	188	18.6
Susquehanna Bancshares, Inc./Abington Bancorp, Inc. (PA)	274	35.6	129	129	22.0
Tompkins Financial Corp./VIST Financial Corp. (PA)	109	23.8	77	114	7.3
Union Bankshares Corp./First Market Bank, FSB (VA)	105		118	118	8.1
United Bankshares, Inc./Centra Bank, Inc. (WV)	185	23.4	137	154	13.1
Valley National Bancorp/State Bancorp, Inc. (NY)	267	23.3	170	170	16.9
<b>Median (14)</b>		<b>23.8x</b>	<b>135%</b>	<b>153%</b>	<b>14.8%</b>
Min		13.4	77	114	7.3
Max		35.6	219	221	22.0



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*Analysis of Selected Regional Transactions.* AFG reviewed the terms of merger transactions announced from January 1, 2007 through October 5, 2012 involving public banks and thrifts where the acquired institution was based in New York State excluding the New York City metropolitan area. AFG deemed these transactions to be reflective of the proposed NBT and Alliance transaction. AFG reviewed the following ratios and multiples: deal value; transaction price to last twelve months earnings per share; transaction price to stated book value; transaction price to stated tangible book value; and transaction price to assets. As illustrated in the following table, AFG compared the proposed merger multiples to the median multiples of the comparable transactions.

Acquiror/Seller	Deal Value (In mill.)	LTM Earnings	Price/		Assets
			Book	Tangible Book	
<b>NBT Bancorp/Alliance Financial</b>	<b>\$ 233</b>	<b>19.4x</b>	<b>156%</b>	<b>211%</b>	<b>16.4%</b>
<b>2012</b>					
Berkshire Hills Bancorp, Inc./Beacon Federal Bancorp, Inc.	\$ 130	24.3x	117%	117%	13.0%
<b>2010</b>					
Community Bank System, Inc./The Wilber Corporation	\$ 102	13.4x	132%	140%	11.0%
Berkshire Hills Bancorp, Inc./Rome Bancorp, Inc.	73	20.5	120	120	22.2
Chemung Financial Corp./Fort Orange Financial Corp.	29	26.6	130	130	10.6
Millbrook Bank System, Inc./SNB Bancorp, Inc.	6		186	186	14.3
<b>2008 &amp; 2009</b>	<b>none</b>				
<b>2007</b>					
KeyCorp/U.S.B. Holding Co., Inc.	\$ 586	19.9x	257%	261%	19.4%
M&T Bank Corporation/Partners Trust Financial Group, Inc.	556	25.7	113	231	14.9
First Niagara Financial Group, Inc./Great Lakes Bancorp	151		113	113	17.0
National Bank of Delaware County/The National Bank of Stamford	22	31.4	149	151	23.4
Watertown Savings Bank/Northern New York Bancorp, Inc.	19	44.8	234	234	20.2
Community Bank System/Tupper Lake National Bank	18	33.1	219	242	17.0
<b>Median Since 2009(5)</b>		<b>22.4x</b>	<b>130%</b>	<b>130%</b>	<b>13.0%</b>
<b>Median In 2007(6)</b>		<b>31.4</b>	<b>184</b>	<b>233</b>	<b>18.2</b>

*Financial Impact Analysis.* AFG analyzed certain potential pro forma effects of the merger, assuming the following: (1) the merger is completed at the end of the second quarter of 2013; (2) earnings projections prepared by Alliance management for the years ending December 31, 2012 through 2014 as adjusted by NBT's management as a result of their diligence review of Alliance for net cost savings, certain purchase accounting adjustments consisting of a 1% credit mark against Alliance's loan portfolio and additional marks on securities, borrowings and time deposits, and other restructuring impacts; (3) NBT estimated cost savings of 35% of Alliance's annual non-interest expense; (4) pre-tax transaction costs and expenses of approximately \$15.2 million; (5) a core deposit intangible of approximately 1% of core deposits; and (6) opportunity cost of cash of 3%.

For each of the years 2013 and 2014, AFG compared the projected earnings per share of NBT common stock on a stand-alone basis to the EPS, on the basis of accounting principles generally accepted in the United States, or GAAP, of the combined company common stock using the foregoing assumptions. For purposes of this analysis, AFG used NBT earnings per share on a stand-alone basis of \$1.64 for 2013 based on analyst estimates and applied an assumed 4% growth rate thereafter based on discussions with NBT management.

The following table sets forth the results of the analysis:

	GAAP Basis Accretion
2013 Estimated EPS	\$ 0.04
2014 Estimated EPS	\$ 0.10



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The analyses indicated that the merger would be accretive to NBT's projected 2013 and 2014 earnings per share. The actual results achieved by NBT or the combined company may vary from analyst estimates, assumed growth rates or projected results and the variations may be material.

AFG compared the estimated tangible book value, or TBV, per share of NBT to the estimated pro forma tangible book value of the combined company using the foregoing assumptions.

The following table sets forth the results of the analysis:

	TBV Per Share
NBT stand alone	\$ 11.76
Pro forma	\$ 11.09

*Information Regarding AFG.* With regard to AFG's services in connection with the merger, NBT will pay an advisory fee equal to \$475,000, of which \$20,000 was payable upon execution by NBT of the engagement letter with AFG, \$122,500 was payable upon execution of the merger agreement by NBT and Alliance, and \$332,500 is contingent upon the consummation of the merger. In addition, NBT has agreed to reimburse AFG for its reasonable out-of-pocket expenses, including the fees and disbursements of AFG's legal counsel, which will not exceed \$15,000 without NBT's prior consent. NBT has also agreed to indemnify AFG and related persons against certain liabilities, including liabilities under the federal securities laws, incurred in connection with its services.

For the two years preceding the date of its opinion delivered to the board of directors of NBT, AFG has not been retained by either NBT or Alliance for financial advisory or investment banking services.

**NBT's and NBT Bank's Board of Directors After the Merger**

Immediately following the effective time of the merger, NBT will expand the size of its board of directors by three seats and designate Jack H. Webb, the current Chairman, Chief Executive Officer and President of Alliance, and two other members of the Alliance board of directors, each of whom meets the qualifications for directors as set forth in NBT's bylaws and is mutually agreed upon by NBT and Alliance, to serve on the NBT board of directors. The designees shall be appointed to NBT's board of directors in a manner such that the classes of the NBT board of directors are as nearly equal in number as possible with Mr. Webb being elected to the eligible class of directors that has the longest remaining term as of the time of such election. The designees to NBT's board of directors shall also be appointed to the board of directors of NBT Bank effective immediately following the effective time of the merger.

**Bank Merger**

The merger agreement provides that as soon as practicable after the consummation of the merger, Alliance Bank shall be merged with and into NBT Bank. NBT has caused NBT Bank, and Alliance has caused Alliance Bank, to enter into an agreement and plan of merger providing for such bank merger. NBT Bank shall be the surviving entity in the bank merger and shall continue in its corporate existence.

**Material U.S. Federal Income Tax Consequences of the Merger**

The following is a general summary of material United States federal income tax consequences of the merger of NBT and Alliance. The federal income tax laws are complex and the tax consequences of the merger may vary depending upon each shareholder's individual circumstances or tax status. The following discussion is based upon current provisions of the Code, existing temporary and final regulations under the Code and current

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administrative rulings and court decisions, all of which are subject to change, possibly on a retroactive basis. No attempt has been made to comment on all United States federal income tax consequences of the merger that may be relevant to Alliance shareholders. The tax discussion set forth below is included for general information only. It is not intended to be, nor should it be construed to be, legal or tax advice to a particular Alliance shareholder.

The following discussion may not apply to particular categories of holders of shares of Alliance common stock subject to special treatment under the Code, such as insurance companies, financial institutions, broker-dealers, tax-exempt organizations, individual retirement and other tax-deferred accounts, banks, persons subject to the alternative minimum tax, persons who hold Alliance capital stock as part of a straddle, hedging or conversion transaction, persons whose functional currency is other than the United States dollar, persons eligible for tax treaty benefits, foreign corporations, foreign partnerships and other foreign entities, individuals who are not citizens or residents of the United States and holders whose shares were acquired pursuant to the exercise of an employee stock option or otherwise as compensation. This discussion assumes that holders of shares of Alliance common stock hold their shares as capital assets. The following discussion does not address state, local or foreign tax consequences of the merger. You are urged to consult your tax advisors to determine the specific tax consequences of the merger, including any state, local or foreign tax consequences of the merger.

*Tax Consequences of the Merger Generally.* NBT has received an opinion from Goodwin Procter LLP and Alliance has received an opinion from Hogan Lovells US LLP, each dated as of the same date as this registration statement was filed with the SEC, to the effect that the merger will qualify as a reorganization under Section 368(a) of the Code. The tax opinions received by NBT and Alliance are based on certain representations, covenants, and assumptions, as described below, all of which must continue to be true and accurate in all material respects as of the effective time of the merger. It is also a condition to the obligation of each of NBT and Alliance to complete the merger that their respective tax counsel confirm its opinion as of the closing date of the merger. Neither NBT nor Alliance intends to waive this condition. If any of the representations, covenants, or assumptions relied upon by tax counsel is inaccurate, tax counsel may not be able to provide the required closing date opinions or the tax consequences of the merger could differ from those described below. An opinion of counsel neither binds the Internal Revenue Service, the IRS, nor precludes the IRS or the courts from adopting a contrary position. Neither NBT nor Alliance intends to obtain a ruling from the IRS regarding the tax consequences of the merger.

Based on the tax opinions described above, the anticipated material United States federal income tax consequences of the merger are as follows:

no gain or loss will be recognized by NBT or Alliance as a result of the merger;

no gain or loss will be recognized by an Alliance shareholder on the exchange, except to the extent the shareholder receives cash in lieu of a fractional share of NBT common stock;

the aggregate tax basis in the NBT common stock received by an Alliance shareholder pursuant to the merger will equal that shareholder's aggregate tax basis in the shares of Alliance common stock being exchanged, reduced by any amount allocable to a fractional share of NBT common stock for which cash is received;

the holding period of NBT common stock received by an Alliance shareholder in the merger will include the holding period of the shares of Alliance common stock being exchanged; and

although no fractional shares of NBT common stock will be issued in the merger, an Alliance shareholder who receives cash in lieu of such a fractional share will be treated as having received that fractional share pursuant to the merger and then as having exchanged such fractional share for cash in a redemption by NBT. An Alliance shareholder will generally recognize capital gain or loss on such a deemed redemption of the fractional share in an amount determined by the excess of the amount of cash received and the shareholder's tax basis in the fractional share. Any capital gain or loss will be long-term capital gain or loss if the Alliance common stock was held for more than one year.

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For purposes of the above discussion of the bases and holding periods for shares of Alliance common stock and NBT common stock, Alliance shareholders who acquired different blocks of Alliance common stock at different times for different prices must calculate their basis, gains and losses, and holding periods separately for each identifiable block of such stock exchanged, converted, cancelled or received in the merger.

*Backup Withholding.* Payments of cash to an Alliance shareholder pursuant to the merger are subject to information reporting and may, under certain circumstances, be subject to backup withholding unless such shareholder provides NBT with its taxpayer identification number and otherwise complies with the backup withholding rules. Any amounts withheld from payments to an Alliance shareholder under the backup withholding rules are not additional tax and generally will be allowed as a refund or credit against the Alliance shareholders' federal income tax liability, provided that the Alliance shareholder timely furnishes the required information to the Internal Revenue Service.

*Reporting Requirements.* Alliance shareholders who receive NBT common stock as a result of the merger will be required to retain records pertaining to the merger and Alliance shareholders who hold at least 5% of the outstanding Alliance common stock immediately before the merger will be required to file with their United States federal income tax return for the year in which the merger takes place a statement setting forth certain facts relating to the merger.

This summary does not address tax consequences that may vary with, or are contingent on, individual circumstances. Moreover, it does not address any non-income tax or any foreign, state or local tax consequences of the merger. Tax matters are very complicated, and the tax consequences of the merger to you will depend upon the facts of your particular situation. Accordingly, we strongly urge you to consult with a tax advisor to determine the particular federal, state, local and foreign income and other tax consequences to you of the merger.

### **Regulatory Approvals Required for the Merger**

NBT must seek the prior written approval of the FRB, pursuant to Sections 3(a)(3) and 3(a)(5) of the Bank Holding Company Act of 1956, as amended, or the BHCA, to merge with Alliance and thereby acquire control of Alliance's wholly owned subsidiary, Alliance Bank. NBT expects to file the above-described application on Form FR Y-3 in December 2012.

The FRB generally will not approve any transaction that would result in a monopoly or that would further a combination or conspiracy to monopolize banking in the United States. The FRB also may not approve a transaction that could substantially lessen competition in any section of the country, that would tend to create a monopoly in any section of the country, or that would be in restraint of trade. However, the FRB may approve any such transaction if it determines that the public interest in meeting the convenience and needs of the community served clearly outweighs the anticompetitive effects of the proposed transaction. The FRB is also required to consider the financial and managerial resources and future prospects of the bank holding companies and banks concerned, as well as the convenience and needs of the community to be served, the effectiveness of NBT and Alliance in combating money laundering activities, and the extent to which the proposed transaction would result in greater or more concentrated risks to the stability of the United States banking or financial system. The consideration of convenience and needs includes the parties' performance under the Community Reinvestment Act of 1977. Consideration of financial resources generally focuses on capital adequacy.

NBT and Alliance may not complete the merger before 30 calendar days following the FRB's approval of the merger or, if the FRB has not received any adverse comments from the Attorney General of the United States concerning the competitive effect of the merger, such shorter period of time as the FRB may permit that does not end sooner than 15 calendar days following the FRB's approval. During this waiting period, the Attorney General may, but is not expected to, commence an action to stay the effectiveness of the FRB's approval and prevent the merger. The FRB or the Attorney General may challenge the merger on competitive grounds, and may require NBT to divest certain of its banking subsidiaries' branches in order to complete the merger. The level of divestitures that the FRB and the Attorney General may require might be unacceptable. In addition, the

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FRB may require Alliance to divest certain of its non-bank subsidiaries before NBT may acquire Alliance or require NBT to commit to divest such non-bank subsidiaries subsequent to the merger. Such divestitures could delay the date of completion of the merger or may diminish the benefits of the merger.

In addition, the merger of Alliance Bank with and into NBT Bank requires the approval of the OCC.

### **Certain Litigation**

Three plaintiffs filed purported class action lawsuits against Alliance, Alliance's directors and NBT in connection with the proposed merger. All three purported class actions were brought in the Supreme Court of the State of New York, in the County of Onondaga, and are captioned *Oughterson v. Alliance Financial Corporation, et al.* (No. 2012EF73, filed October 11, 2012), *Stanard v. Alliance Financial Corporation, et al.* (No. 2012EF75, filed October 22, 2012) and *The Wire Family Trust of 1997 v. Alliance Financial Corporation et al.* (No. 2012-5950, filed November 1, 2012). The lawsuits allege that the Alliance directors breached their fiduciary duties to Alliance's shareholders by seeking to sell Alliance through an allegedly unfair process and for an unfair price and on unfair terms, and that Alliance and NBT aided and abetted that breach. The lawsuits seek, among other things, equitable relief that would enjoin the merger, damages, and attorneys' fees and costs. The plaintiffs also seek rescission of the merger (to the extent it has already been completed at the time that the court grants any relief).

### **Accounting Treatment of the Merger**

The merger will be accounted for using the purchase method of accounting with NBT treated as the acquiror. Under this method of accounting, Alliance's assets and liabilities will be recorded by NBT at their respective fair values as of the closing date of the merger and added to those of NBT. Any excess of purchase price over the net fair values of Alliance's assets and liabilities will be recorded as goodwill. Any excess of the fair value of Alliance's net assets over the purchase price will be recognized in earnings by NBT on the closing date of the merger. Financial statements of NBT issued after the merger will reflect these values, but will not be restated retroactively to reflect the historical financial position or results of operations of Alliance prior to the merger. The results of operations of Alliance will be included in the results of operations of NBT beginning on the effective date of the merger.

### **Appraisal Rights**

Under New York law, holders of Alliance common stock will not be entitled to exercise any dissenters' or appraisal rights in connection with the merger or any other matter being presented to them.

### **Restrictions on Sales of Shares by Certain Affiliates**

The shares of NBT common stock to be issued in the merger will be freely transferable under the Securities Act, except for shares issued to any stockholder who is an affiliate of NBT as defined by Rule 144 under the Securities Act. Affiliates consist of individuals or entities that control, are controlled by, or are under common control with NBT and include the executive officers and directors of NBT and may include significant stockholders of NBT.

### **Stock Exchange Listing**

Following the merger, the shares of NBT common stock will continue to trade on the NASDAQ Global Select Market under the symbol NBTB.

### **Delisting and Deregistration of Alliance Common Stock after the Merger**

When the merger is completed, the Alliance common stock currently listed on the NASDAQ Global Select Market will be delisted from the NASDAQ Global Select Market and will be deregistered under the Securities Exchange Act of 1934, as amended, or the Exchange Act.

**Table of Contents****PROPOSAL II ADVISORY (NON-BINDING) VOTE ON GOLDEN PARACHUTE COMPENSATION**

In accordance with Section 14A of the Exchange Act, Alliance is providing its shareholders with the opportunity to cast an advisory vote on the compensation that may be payable to its named executive officers in connection with the merger. As required by those rules, Alliance is asking its shareholders to vote on the adoption of the following resolution:

RESOLVED, that the shareholders of Alliance Financial Corporation approve, on an advisory (non-binding) basis, the agreements for and compensation to be paid to Alliance's named executive officers in connection with the merger with NBT Bancorp Inc., as disclosed below under the caption Golden Parachute Compensation for Alliance's Named Executive Officers.

The approval of the golden parachute compensation proposal is not a condition to the merger and is a vote separate and apart from the vote to adopt and approve the merger agreement. Accordingly, you may vote to approve the golden parachute compensation payable to the named executive officers of Alliance in connection with the merger and vote not to adopt the merger agreement and vice versa. In addition, because the vote on golden parachute compensation is advisory in nature only, it will not be binding on Alliance. Accordingly, because Alliance is contractually obligated to pay the compensation, such compensation will be payable, subject only to the conditions applicable to such payment, if the merger is completed and regardless of the outcome of the advisory vote.

The approval by a majority of the votes cast at the special meeting by the holders of shares present and entitled to vote on this proposal will be required to approve the advisory resolution on the golden parachute compensation. An abstention, a broker non-vote or the failure to submit a proxy card or vote in person will not affect whether this proposal has been approved.

**Recommendation of the Alliance Board of Directors**

The Alliance board of directors unanimously recommends that you vote **FOR** the approval, on an advisory (non-binding) basis, of the golden parachute compensation payable to the named executive officers of Alliance in connection with the merger.

**Golden Parachute Compensation for Alliance's Named Executive Officers**

The following table sets forth the information required by Item 402(t) of Regulation S-K promulgated by the SEC, regarding certain compensation that each of Alliance's named executive officers may receive that is based on, or that otherwise relates to, the merger. The figures in the table are estimated based on compensation levels as of the date of this document and an assumed effective date of October 31, 2012 (the latest practicable date prior to the filing of this joint proxy statement/prospectus) for both the merger and, where applicable, termination of the executive's employment. The amounts reported below are estimates based on multiple assumptions that may or may not actually occur or be accurate on the relevant date, including assumptions described in this document, and do not reflect certain compensation actions that will likely occur before the completion of the merger (such as the payment of 2012 bonuses or pro-rated bonuses for calendar year 2013). As required by applicable SEC rules, all amounts below determined using the per share value of Alliance common stock have been calculated based on a per share price of Alliance common stock of \$45.76 (the average closing market price of Alliance common stock over the first five business days following the public announcement of the merger on October 8, 2012). As a result of the foregoing assumptions, the actual amounts, if any, to be received by a named executive officer may materially differ from the amounts set forth below.

Name	Cash (\$)	Equity(1) (\$)	Pension/NQDC(2) (\$)	Perquisites/Benefits (\$)	Other(3) (\$)	Total (\$)
Jack H. Webb	1,911,631 <sup>(4)</sup>	711,614			168	2,623,413
John H. Watt, Jr.	775,850 <sup>(5)</sup>	419,619	7,672	30,000 <sup>(6)</sup>	87	1,233,228
J. Daniel Mohr	777,750 <sup>(7)</sup>	388,868	7,032	13,000 <sup>(6)</sup>	87	1,186,737
James W. Getman	369,000 <sup>(8)</sup>	275,338	6,350	29,000 <sup>(9)</sup>	52	679,740
Steven G. Cacchio	365,000 <sup>(8)</sup>	292,498	5,584	47,200 <sup>(9)</sup>	57	710,339

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- (1) Each named executive officer holds unvested restricted stock awards that will accelerate immediately prior to the closing date of the merger. These are single-trigger change-in-control arrangements. The amount shown in the table is based upon the following holdings of restricted stock as of October 31, 2012: (A) 15,551 shares for Mr. Webb; (B) 9,170 shares for Mr. Watt; (C) 8,498 shares for Mr. Mohr; (D) 6,017 shares for Mr. Getman; and (E) 6,392 shares for Mr. Cacchio.
- (2) This amount represents the amount of the executive's deferred bonus under the Executive Incentive Retirement Program. This is a single-trigger change-in-control arrangement.
- (3) The amount shown represents the increase in the present value of the payments under the short-term incentive compensation plan for calendar year 2012, which will be paid approximately two months prior to Alliance's usual payout date, using IRS discount rates for October 2012.
- (4) This amount represents a lump sum payment (subject to reduction to the extent this payment would be an excess parachute payment within the meaning of Sections 280G and 4999 of the Internal Revenue Code) to be paid following the closing under the terms of Mr. Webb's employment agreement with NBT. This payment would have otherwise been triggered if Mr. Webb's employment was terminated in connection with the merger under his employment agreement with Alliance. This is a single-trigger change-in-control arrangement. Under Mr. Webb's employment agreement with NBT, he is also entitled to severance if he is terminated without cause or resigns for good reason following the merger but during the term of the employment agreement. As the employment agreement is with NBT and the possible severance under the employment agreement does not relate to the merger, the amount of this severance is not included in the table above.
- (5) This amount represents the sum of (A) a lump sum payment of \$725,850 to be paid upon termination of Mr. Watt's employment upon the closing of the merger under the terms of a settlement agreement with Alliance and NBT, and (B) a lump sum payment of \$50,000, which is an estimate of a discretionary bonus amount to be allocated to Mr. Watt and paid upon the closing of the merger. The payment represented by clause (A) of the prior sentence is a double-trigger change-in-control arrangement, although it is expected that Mr. Watt's employment will be terminated immediately upon the closing, and the payment represented by clause (B) of the prior sentence is a single-trigger change-in-control arrangement.
- (6) This amount represents the estimated fair value of the company-provided automobile that will be transferred to the executive under the terms of the settlement agreement with such executive. This is a double-trigger change-in-control arrangement, although it is expected that Messrs. Watt's and Mohr's employment will be terminated immediately upon the closing.
- (7) This amount represents the sum of (A) a lump sum payment of \$677,570 to be paid upon termination of Mr. Mohr's employment upon the closing of the merger under the terms of a settlement agreement with Alliance and NBT, and (B) a lump sum payment of \$100,000, which is an estimate of a discretionary bonus amount to be allocated to Mr. Mohr and paid upon the closing of the merger. The payment represented by clause (A) of the prior sentence is a double-trigger change-in-control arrangement, although it is expected that Mr. Mohr's employment will be terminated immediately upon the closing, and the payment represented by clause (B) of the prior sentence is a single-trigger change-in-control arrangement.
- (8) This amount represents the sum of (A) a lump sum severance payment of \$344,000 to Mr. Getman and \$340,000 to Mr. Cacchio, which represents 200% of the executive's annual base salary if the executive is terminated without cause or resigns for good reason within 24 months following the merger (estimated based upon the executive's current annual base salary), to be paid under the terms of the executive's change of control agreement with Alliance, and (B) a lump sum payment of \$25,000, which is an estimate of a discretionary bonus amount to be allocated to each of Messrs. Getman and Cacchio and paid upon the closing of the merger. The payment represented by clause (A) of the prior sentence is a double-trigger change-in-control arrangement, and the payment represented by clause (B) of the prior sentence is a single-trigger change-in-control arrangement.
- (9) This amount represents the sum of (A) \$9,000 and \$27,200 for Messrs. Getman and Cacchio, respectively, which is the estimated cost for 24 months of continuing health insurance premiums, which represents a 5.8% and 5.1% increase in premiums for 2012 and 2013, respectively, and (B) \$20,000, which represents the estimated value of the company-provided automobile that will be transferred to each of Messrs. Getman and Cacchio upon the termination of the executive's employment. Both payments are double-trigger change-in-control arrangements that will be provided if the executive is terminated without cause or resigns for good reason within 24 months following the merger under the terms of the executive's change of control agreement with Alliance.



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**THE MERGER AGREEMENT**

*This section of the document describes the material terms of the merger agreement. The following summary is qualified in its entirety by reference to the complete text of the merger agreement, which is incorporated in this joint proxy statement/prospectus by reference and attached as Annex A to this joint proxy statement/prospectus. This summary may not contain all of the information about the merger agreement that may be important to you. You are urged to read the full text of the merger agreement. The merger agreement contains customary representations and warranties of NBT and Alliance made to each other as of specific dates. The assertions embodied in those representations and warranties were made solely for purposes of the contract between NBT and Alliance and are not intended to provide factual, business, or financial information about NBT or Alliance. Moreover, some of those representations and warranties may not be accurate or complete as of any specified date, may be subject to a contractual standard of materiality different from those generally applicable to stockholders or different from what a stockholder might view as material, may have been used for purposes of allocating risk between NBT and Alliance rather than establishing matters as facts, may have been qualified by certain disclosures not reflected in the merger agreement that were made to the other party in connection with the negotiation of the merger agreement and generally were solely for the benefit of the parties to that agreement.*

**Structure**

Subject to the terms and conditions of the merger agreement, and in accordance with the Delaware General Corporation Law and the New York Business Corporation Law, at the completion of the merger, Alliance will merge with and into NBT. NBT will be the surviving corporation in the merger and will continue its corporate existence under the laws of the State of Delaware. Upon completion of the merger, the separate corporate existence of Alliance will terminate.

Each share of NBT common stock that is issued and outstanding at the effective time of the merger will remain issued and outstanding as one share of common stock of NBT, and each share of Alliance common stock issued and outstanding at the effective time of the merger (other than stock held by Alliance or NBT) will be converted into the right to receive 2.1779 shares of NBT common stock (together with the associated stock purchase rights which are attached to, and trade with, NBT common stock), as described below. See Consideration to be Received in the Merger.

The certificate of incorporation of NBT will be the certificate of incorporation of the combined company, and the bylaws of NBT will be the bylaws of the combined company. See Comparison of Stockholder Rights beginning on page 97.

The merger agreement provides that NBT may change the method of effecting the business combination between NBT and Alliance. However, no such change may (A) alter or change the amount of merger consideration to be issued to Alliance shareholders under the merger agreement, (B) reasonably be expected to materially impede or delay consummation of the merger, (C) adversely affect the federal income tax treatment of the Alliance shareholders in connection with the merger, or (D) require submission to or approval by Alliance's shareholders after such shareholders have approved the plan of merger as set forth in the merger agreement.

**Effective Time and Timing of Closing**

The merger will be completed and become effective when NBT and Alliance execute and file certificates of merger with the Secretary of State of the State of Delaware and the Department of State of the State of New York. However, NBT and Alliance may agree to a later time for completion of the merger and specify that time in the certificate of merger in accordance with Delaware and New York law. The closing of the merger will take place (A) on a date specified by both parties, which shall be no later than five business days after the conditions to the closing of the merger (other than conditions to be satisfied at the closing) have been satisfied or waived,

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(B) at NBT's election, on the last business day of the month in which such conditions to the closing of the merger have been satisfied, (C) if such conditions are satisfied in the second half of a fiscal quarter of NBT, at NBT's election, on the last business day of such fiscal quarter, or (D) on such other date as NBT and Alliance may agree.

NBT and Alliance anticipate that the merger will be completed in early 2013. However, completion of the merger could be delayed if there is a delay in obtaining the required regulatory approvals or in satisfying any other conditions to the merger. There can be no assurances as to whether, or when, NBT and Alliance will obtain the required approvals or complete the merger.

### **NBT's and NBT Bank's Board of Directors After the Merger**

Immediately following the effective time of the merger, NBT will expand the size of its board of directors by three seats and designate Jack H. Webb, the current Chairman, President, and Chief Executive Officer of Alliance, and two other members of the Alliance board of directors, each of whom meets the qualifications for directors as set forth in NBT's bylaws and is mutually agreed upon by NBT and Alliance. The designees shall be appointed to NBT's board of directors in a manner such that the classes of the NBT board of directors are as nearly equal in number as possible. The designees shall also be appointed to the board of directors of NBT Bank effective immediately following the effective time of the merger.

### **Bank Merger**

The merger agreement provides that as soon as practicable after the consummation of the merger, Alliance Bank shall be merged with and into NBT Bank, subject to all required regulatory approvals. As soon as practicable after the execution of the merger agreement, NBT shall cause NBT Bank, and Alliance shall cause Alliance Bank, to enter into an agreement and plan of merger providing for such bank merger. NBT Bank shall be the surviving entity in the bank merger and shall continue its corporate existence.

### **Consideration to be Received in the Merger**

Upon completion of the merger, each outstanding share of Alliance common stock (other than stock held by Alliance or NBT) will be converted into the right to receive 2.1779 shares of NBT common stock (together with the associated stock purchase rights which are attached to, and trade with, NBT common stock).

No fractional shares of NBT common stock will be issued to any holder of Alliance common stock upon completion of the merger. For each fractional share that would otherwise be issued, NBT will pay each shareholder cash (without interest) in an amount equal to the fractional share interest to which such shareholder would otherwise be entitled multiplied by the average of the daily closing prices of NBT common stock during the regular session of NBT common stock on NASDAQ for the five consecutive trading days ending on the third business day immediately prior to the closing date, rounded to the nearest whole cent.

### **Stock-Based Awards**

Under the terms of the merger agreement, at the effective time of the merger, all restricted stock awards that are outstanding immediately prior to the effective time that were granted under Alliance's stock plans will fully vest, and all of the related shares will be treated as outstanding Alliance shares for all purposes under the merger agreement, including for purposes of the holders' right to receive the same merger consideration that all other shares of Alliance common stock are entitled to receive in the merger as described above under "Consideration to be Received in the Merger."

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### **Deferred Compensation Plans**

Without any action of any participant in any Alliance stock-based deferred compensation plan, all amounts held in participant accounts and denominated in Alliance common stock will be converted into the number of shares of NBT common stock that is equal to the number of shares of Alliance common stock immediately prior to the effective time multiplied by 2.1779.

### **Dividend Reinvestment Plan**

Prior to the effective time of the merger, Alliance will suspend purchases of Alliance common stock under its dividend reinvestment plan and will terminate the plan and distribute all shares of Alliance common stock and cash held in each participant's plan account in accordance with the terms of the dividend reinvestment plan.

### **Exchange of Certificates; Dividends**

On or before the closing date of the merger, NBT will cause to be delivered to the exchange agent (which will be a bank or trust company selected by NBT and reasonably satisfactory to Alliance), certificates representing the shares of NBT common stock to be issued in the merger and cash to be paid in lieu of fractional shares of Alliance common stock.

As soon as practicable following the effective time of the merger, the exchange agent will mail to each Alliance shareholder of record at the effective time of the merger a letter of transmittal and instructions for use in surrendering the shareholder's Alliance stock certificates. When such Alliance shareholders deliver their Alliance stock certificates to the exchange agent along with a properly completed and duly executed letter of transmittal and any other required documents, their Alliance stock certificates will be cancelled and in exchange they will receive, as allocated to them:

a NBT stock certificate representing the number of whole shares of NBT common stock that they are entitled to receive under the merger agreement; and

a check representing the amount of cash that they are entitled to receive in lieu of any fractional shares.

Alliance shareholders are not entitled to receive any dividends or other distributions on NBT common stock with a record date after the merger until they have surrendered their Alliance stock certificates in exchange for a NBT stock certificate. After the surrender of their Alliance stock certificates, Alliance shareholders of record will be entitled to receive any dividend or other distribution, without interest, which had become payable with respect to their NBT common stock.

NBT will issue a stock certificate for NBT common stock or a check for cash in lieu of a fractional share in a name other than the name in which a surrendered Alliance stock certificate is registered only if the exchange agent is presented with all documents required to show and effect the unrecorded transfer of ownership, together with evidence that any applicable stock transfer taxes have been paid.

### **Representations and Warranties**

The merger agreement contains representations and warranties made by and to NBT and Alliance. The statements embodied in those representations and warranties were made for purposes of the contract between NBT and Alliance and are subject to important qualifications and limitations agreed to by NBT and Alliance in connection with negotiating its terms. In addition, certain representations and warranties were made as of a specified date, may be subject to contractual standards of materiality different from what may be viewed as material to stockholders, or may have been used for the purpose of allocating risk between NBT and Alliance rather than establishing matters as facts. For the foregoing reasons, you should not rely on the representations and warranties as statements of factual information. Third parties are not entitled to the benefits of the representations and warranties in the merger agreement.

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Each of NBT and Alliance has made representations and warranties to the other regarding, among other things:

due organization, good standing and authority;

capitalization;

corporate power;

corporate authority;

no violation or breach of certain organizational documents, agreements and governmental orders;

absence of consent or approval of any third party or governmental authority;

corporate records;

compliance with laws;

litigation and regulatory action;

SEC documents, financial reports, and regulatory reports;

absence of certain changes or events;

taxes and tax returns;

employee benefit plans;

labor matters;

environmental matters;

regulatory capitalization;

loans and nonperforming and classified assets;

investment securities;

Community Reinvestment Act, anti-money laundering and customer information security compliance;

brokers; and

deposit insurance.

In addition, Alliance has made other representations and warranties about itself to NBT as to:

subsidiaries;

insurance;

intellectual property;

material agreements and defaults;

property and leases;

inapplicability of takeover laws;

investment management and related activities;

derivative transactions;

repurchase agreements;

transactions with affiliates; and

the receipt of a fairness opinion from its financial advisor.

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The representations and warranties of each of NBT and Alliance will expire upon the effective time of the merger. The representations and warranties in the merger agreement are complicated and not easily summarized. You are urged to carefully read Articles III and IV of the merger agreement attached to this joint proxy statement/prospectus as Annex A.

### **Conduct of Business Pending the Merger**

*Conduct of Business of Alliance Pending the Merger.* Under the merger agreement, Alliance has agreed that, until the effective time of the merger or the termination of the merger agreement, Alliance and its subsidiaries will not, except as expressly permitted by the merger agreement or with the prior written consent of NBT (which consent NBT will not unreasonably withhold):

conduct its business other than in the ordinary and usual course consistent with past practice;

fail to use reasonable best efforts to preserve intact its business organizations and assets, and maintain its rights, franchises, and existing relations with customers, suppliers, employees and business associates;

take any action that would reasonably be expected to adversely affect the ability of either Alliance or NBT to obtain any necessary regulatory approval required to complete the transactions contemplated by the merger agreement or adversely affect Alliance's ability to perform any of its material obligations under the merger agreement;

issue, sell or otherwise permit to become outstanding, or authorize the creation of, any securities or equity equivalents or enter into any agreement with respect to the foregoing, except with respect to stock based awards outstanding on the date of the merger agreement;

accelerate the vesting of any existing stock-based awards;

effect a split, dividend, recapitalization or reclassification of its capital stock;

directly or indirectly combine, redeem, reclassify, purchase or otherwise acquire, any shares of its stock;

declare or pay any dividend or other distribution on its capital stock other than: (A) dividends paid by wholly owned subsidiaries to Alliance or any other wholly owned subsidiary of Alliance; or (B) regular quarterly cash dividends not to exceed the rate paid during the fiscal quarter immediately preceding the date of the merger agreement;

enter into or amend any employment, severance or similar agreement or arrangement with any director, officer, employee or consultant, grant any salary or wage increase, increase any employee benefit, or make any incentive or bonus payments, except for (A) normal merit increases in the ordinary course of business consistent with past practice not to exceed an aggregate increase of more than three percent from the aggregate amount paid in 2012, (B) as may be required by law, (C) to satisfy existing contractual obligations or (D) for certain bonus payments for 2012 and 2013;

enter into, establish, adopt, or amend any benefit plans or any agreement, arrangement, plan or policy between Alliance and any of its directors, officers or employees, except as required by law or to satisfy existing contractual obligations;

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hire or terminate the employment of any officer, member of senior management or other key employee, elect to any office any person who is not a member of Alliance's management team as of the date of the merger agreement or elect to the Alliance or Alliance Bank board of directors any person who is not a member of the Alliance or Alliance Bank board of directors as of the date of the merger agreement;

sell, transfer, mortgage, encumber or otherwise dispose of or discontinue any of Alliance's assets, deposits, business or properties except in the ordinary course of business consistent with past practice and in a transaction, that, together with all other such transactions, is not material to Alliance and its subsidiaries taken as a whole;

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amend its articles of incorporation or bylaws;

acquire all or any portion of the assets, business, securities, deposits or properties of any other entity, other than by way of foreclosures or acquisitions of control in a bona fide fiduciary capacity or in satisfaction of debts previously contracted in good faith, in each case in the ordinary course of business consistent with past practice;

make any capital expenditures other than capital expenditures in the ordinary course of business consistent with past practice in amounts not to exceed \$50,000 individually or \$100,000 in the aggregate;

enter into or terminate any material agreement, amend or modify in any material respect any existing material agreement, or waive any rights under any material agreement;

enter into any settlement or similar agreement with respect to any action, suit, proceeding, order or investigation to which Alliance or any of its subsidiaries is a party, or waive or release any material rights or claims, or agree or consent to the issuance of any injunction, decree, order or judgment restricting or otherwise affecting its business or operations in any material respect;

enter into any new material line of business;

change its material lending, investment, underwriting, risk and asset liability management or other material banking and operating policies, except as required by applicable law, regulation or policies imposed by any regulatory authority;

introduce any material new products or services, any material marketing campaigns or any material new sales compensation or incentive programs or arrangements;

file any application or make any contract with respect to branching or site location or branching or site relocation;

enter into any derivative transactions;

incur, modify, extend or renegotiate any indebtedness for borrowed money (other than deposits, federal funds purchased, Federal Home Loan Bank advances, and securities sold under agreements to repurchase, in each case in the ordinary course of business consistent with past practice);

prepay any indebtedness or other similar arrangements so as to cause Alliance or any of its subsidiaries to incur any prepayment penalty;

assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligations of any other person, other than in the ordinary course of business consistent with past practice;

acquire (other than by way of foreclosures or acquisitions in a bona fide fiduciary capacity or in satisfaction of debts previously contracted in good faith, in each case in the ordinary course of business consistent with past practice) any debt security or equity



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investment of a type or in an amount that is not permissible for a national bank or any other debt security other than in the ordinary course of business consistent with past practice, or restructure or materially change its investment securities portfolio or its interest rate risk position, through purchases, sales or otherwise, or in the manner in which the portfolio is classified;

make or acquire any new loan or issue new commitments for any loan in excess of \$2,000,000, or renegotiate, renew, increase or modify any existing loan in excess of \$5,000,000; provided, however, that no such action shall be taken with respect to any classified loans with a balance in excess of \$500,000 and that the loan thresholds shall refer to the amount of all loans to any one borrower or related borrowers in the aggregate, as defined in Alliance's credit policies;

make any investment or commitment to invest in real estate or in any real estate development project, other than by way of foreclosure or acquisitions in a bona fide fiduciary capacity or in satisfaction of a debt previously contracted in good faith, in each case, in the ordinary course of business consistent with past practice;

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foreclose on or take a deed or title to any real estate other than one-to-four family residential properties without first conducting a Phase I environmental assessment of the property, or foreclose or take a deed or title to any real estate if such environmental assessment indicates the presence of hazardous material;

change its accounting principles, practices or methods other than as may be required by changes in laws or regulations or by generally accepted accounting principles;

make or change any tax election, change an annual accounting period, adopt or change any accounting method, file any amended tax return, fail to timely file any tax return, enter into any closing agreement, settle or compromise any liability with respect to taxes, agree to any adjustment of any tax attribute, surrender any right to claim a refund of taxes, consent to any extension or waiver of the limitation period applicable to any tax claim or assessment, or take any other similar action relating to the filing of any tax return or the payment of any tax;

change its loan policies or procedures except as required by a governmental authority;

knowingly take any action that would, or would be reasonably likely to, prevent or impede the merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code;

take any action that is intended or is reasonably likely to result in: (A) any of its representations and warranties set forth in the merger agreement being or becoming untrue in any material respect at any time prior to the effective time of the merger; (B) any of the conditions to the merger set forth in the merger agreement not being satisfied; or (C) a material violation of any provision of the merger agreement; or

agree or commit to do any of these prohibited activities.

*Conduct of Business of NBT Pending the Merger.* NBT has agreed that, except as permitted by the merger agreement or otherwise consented to by Alliance in writing, it will not:

amend its certificate of incorporation or bylaws in a manner that would materially and adversely affect the economic benefits of the merger to Alliance's stockholders;

knowingly take any action that would, or would be reasonably likely to, prevent or impede the merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code; or

take any action that is reasonably likely to result in any of the conditions to the merger not being satisfied.

**NBT and Alliance Stockholders Meetings**

NBT and Alliance have each agreed to call, hold and convene a meeting of its stockholders as promptly as practicable (and in any event within 45 days following the time when the registration statement of which this joint proxy statement/prospectus is a part becomes effective, subject to extension with the consent of the other party) to consider and vote upon the approval of the merger agreement and any other matter required to be approved by their stockholders in order to consummate the merger. NBT and Alliance also have each agreed to ensure that their stockholders meetings are called, noticed, convened, held and conducted, and that all proxies solicited in connection with the meetings are solicited in compliance with state law, the certificate of incorporation and bylaws of each company, applicable rules of NASDAQ and all other applicable legal requirements.

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Additionally, the boards of directors of NBT and Alliance have each agreed to recommend that their stockholders vote to approve the merger agreement and the transactions contemplated thereby (including the merger) and any other matters required to be approved by their shareholders for consummation of the merger.

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**No Solicitation**

Alliance has agreed that neither it nor its subsidiaries nor any of its respective officers, directors, employees, investment bankers, financial advisors, attorneys, accountants, consultants, affiliates and other of its agents (which we refer to as Alliance's representatives) will, directly or indirectly:

initiate, solicit, induce or knowingly encourage, or take any action to facilitate the making of, any inquiry, offer or proposal which constitutes, or could reasonably be expected to lead to, an acquisition proposal;

participate in any discussions or negotiations regarding any acquisition proposal or furnish, or otherwise afford access, to any person (other than NBT) any information or data with respect to Alliance or any of its subsidiaries or otherwise relating to an acquisition proposal;

release any person from, waive any provisions of, or fail to enforce any confidentiality agreement or standstill agreement to which Alliance is a party; or

enter into any agreement, agreement in principle or letter of intent with respect to any acquisition proposal or approve or resolve to approve any acquisition proposal or any agreement, agreement in principle or letter of intent relating to an acquisition proposal.

Under the merger agreement, an acquisition proposal means any inquiry, offer or proposal (other than an inquiry, offer or proposal from NBT), whether or not in writing, contemplating, relating to, or that could reasonably be expected to lead to, an acquisition transaction. An acquisition transaction means:

any transaction or series of transactions involving any merger, consolidation, recapitalization, share exchange, liquidation, dissolution or similar transaction involving Alliance or any of its subsidiaries;

any transaction pursuant to which any third party or group acquires or would acquire (whether through sale, lease or other disposition), directly or indirectly, any assets of Alliance or any of its subsidiaries representing, in the aggregate, 15% or more of the assets of Alliance and its subsidiaries on a consolidated basis;

any issuance, sale or other disposition of (including by way of merger, consolidation, share exchange or any similar transaction) securities (or options, rights or warrants to purchase or securities convertible into, such securities) representing 15% or more of the votes attached to the outstanding securities of Alliance or any of its subsidiaries;

any tender offer or exchange offer that, if consummated, would result in any third party or group beneficially owning 15% or more of any class of equity securities of Alliance or any of its subsidiaries; or

any transaction which is similar in form, substance or purpose to any of the transactions listed above, or any combination of these types of transactions.

If Alliance receives a bona fide unsolicited written acquisition proposal that did not result from a breach by Alliance of any of the non-solicitation provisions in the merger agreement as discussed above, the Alliance board of directors may participate in discussions or negotiations regarding the unsolicited acquisition proposal or furnish the third party with, or otherwise afford access to the third party of, any information or data with respect to Alliance or any of its subsidiaries or otherwise relating to the acquisition proposal if:

the Alliance board of directors first determines in good faith, (1) after consultation with its outside legal counsel and a nationally recognized, independent financial advisor, that such acquisition proposal constitutes or is reasonably likely to lead to a superior proposal, and (2) after consultation with its outside legal counsel, that it is required to take such actions to comply with its fiduciary duties to its shareholders under applicable law;

Alliance has provided NBT with at least three business days prior notice of such determination; and

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prior to furnishing or affording access to any information or data with respect to Alliance or any of its subsidiaries or otherwise relating to an acquisition proposal, the third party enters into a confidentiality agreement with Alliance containing terms no less favorable to Alliance than those contained in its confidentiality agreement with NBT.

A superior proposal means any bona fide written proposal (on its most recently amended or modified terms, if amended or modified) made by a third party to enter into an acquisition transaction on terms that the Alliance board of directors determines in its good faith judgment, after consultation with outside legal counsel and a financial advisor of nationally recognized reputation:

would, if consummated, result in the acquisition of all, but not less than all, of the issued and outstanding shares of Alliance's common stock or all, or substantially all, of the assets of Alliance and its subsidiaries on a consolidated basis;

would result in a transaction that:

involves consideration to the Alliance shareholders that is more favorable, from a financial point of view, than the consideration to be paid to Alliance shareholders pursuant to the merger agreement, considering, among other things, the nature of the consideration being offered and any material regulatory approvals or other risks associated with the timing of the proposed transaction beyond or in addition to those specifically contemplated by the merger agreement, and which proposal is not conditioned upon obtaining additional financing; and

is, in light of the other terms of such proposal, more favorable to Alliance shareholders than the merger and the transactions contemplated by the merger agreement; and

is reasonably likely to be completed on the terms proposed, in each case taking into account all legal, financial, regulatory and other aspects of the proposal.

Alliance has agreed to promptly, and in any event within 24 hours, notify NBT in writing if any proposals or offers are received by, any information is requested from, or any negotiations or discussions are sought to be initiated or continued with, Alliance or any of its representatives, in each case in connection with any acquisition proposal. Any such notice will indicate the name of the person initiating such discussions or negotiations or making such proposal, offer or information request, the material terms and conditions of any proposals or offers and, in the case of written materials relating to such proposal, offer, information request, negotiations or discussion, copies of these materials, except to the extent that such materials constitute confidential information of the party making such offer or proposal under an effective confidentiality agreement. Alliance is also required to keep NBT informed, on a reasonably current basis, of the status and terms of any such proposal, offer, information request, negotiations or discussions (including any amendments or modifications to such proposal, offer or request).

Alliance has also agreed to provide NBT with any non-public information about Alliance or any of its subsidiaries provided to any other person that was not previously provided to NBT, no later than the date provided to such other person.

In addition, under the merger agreement, Alliance agreed that its board of directors, or any committee of the board, will not:

withdraw, qualify, amend or modify, or propose to withdraw, qualify, amend or modify, in a manner adverse to NBT in connection with the transactions contemplated by the merger agreement (including the merger), its recommendation that Alliance shareholders vote to approve the merger agreement;

fail to reaffirm its recommendation that Alliance shareholders vote to approve the merger agreement within five business days following a request by NBT;

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make any statement, filing or release, in connection with the special meeting or otherwise, inconsistent with its recommendation that Alliance shareholders vote to approve the merger agreement (including taking a neutral position or no position with respect to an acquisition proposal);

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approve or recommend, or propose to approve or recommend, any acquisition proposal; or

enter into any letter of intent, agreement in principle, acquisition agreement or other agreement:

related to any acquisition transaction (other than a confidentiality agreement entered into in accordance with the non-solicitation provisions of the merger agreement); or

requiring Alliance to abandon, terminate or fail to consummate the merger or any other transaction contemplated by the merger agreement.

However, prior to the date of the special meeting of shareholders, the Alliance board of directors may withdraw, qualify, amend or modify its recommendation that Alliance shareholders vote to approve the merger agreement if the Alliance board reasonably determines in good faith, after consultation with outside legal counsel and a nationally recognized financial advisor, that (A) an unsolicited acquisition proposal that Alliance received (that did not result from a breach of the non-solicitation provisions of the merger agreement) constitutes a superior proposal and (B) it is required to do so in order to comply with its fiduciary duties to the Alliance shareholders under applicable law. In the event that the Alliance board makes this determination, Alliance must provide five business days' prior written notice to NBT that its board has decided that the bona fide unsolicited written acquisition proposal constitutes a superior proposal. During the five business days after NBT's receipt of the notice of a superior proposal, Alliance and its board must cooperate and negotiate in good faith with NBT to make any adjustments, modifications or amendments to the terms and conditions of the merger agreement as would enable Alliance to proceed with its board's original recommendation with respect to the merger agreement without requiring Alliance to withdraw, qualify, amend or modify its board's recommendation with respect to the merger agreement. At the end of the five business day period, and after taking into account any such adjusted, modified or amended terms as may have been proposed by NBT during that period, the Alliance board must again determine in good faith, after consultation with outside legal counsel, that:

it is required to withdraw, qualify, amend or modify its recommendation with respect to the merger agreement to comply with its fiduciary duties to its shareholders under applicable law; and

the acquisition proposal is a superior proposal.

In the event of any material revisions to the superior proposal, Alliance must provide a new notice of such superior proposal to NBT. During the three business day period following receipt of such new written notice, Alliance and its board must cooperate and negotiate in good faith with NBT to make any adjustments, modifications or amendments to the terms and conditions of the merger agreement as would enable Alliance to proceed with its board's original recommendation with respect to the merger agreement without requiring Alliance to withdraw, qualify, amend or modify its board's recommendation with respect to the merger agreement.

**Employee Benefits**

Under the terms of the merger agreement, as soon as practicable after the effective time of the merger, NBT will provide the employees of Alliance and any of its subsidiaries who remain employed after the effective time of the merger with at least the types and levels of comparable employee benefits in the aggregate as those provided to similarly-situated employees of NBT. NBT has the right in its sole discretion to terminate, merge or continue any of Alliance's employee benefit plans, except that NBT will maintain Alliance's plans (other than stock-based plans, incentive plans or defined benefit plans) until the employees of Alliance and any of its subsidiaries are permitted to participate in comparable NBT plans. To the extent that Alliance's employees become eligible to participate in NBT's employee benefit plans after the merger, NBT will:

provide each employee with eligibility and vesting credit, but not benefit accrual credit with respect to defined benefit plans and not for participation in any retiree health plan or executive supplemental retirement plan, equal to the amount of service credited by Alliance prior to the merger;





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subject to the terms of NBT's employee plans, not treat any employee of Alliance or any of its subsidiaries as a new employee for purposes of any exclusions under any health or similar plan of NBT for any pre-existing medical condition, except to the extent such employee was treated as a new employee under the Alliance health plan; and

subject to the terms of NBT's employee plans, provide for any deductibles, co-payments or out-of-pocket expenses paid under Alliance's health plans to be credited toward deductibles, co-payments or out-of-pocket expenses under NBT's health plans upon delivery to NBT of appropriate documentation.

In addition, NBT has agreed to cause Alliance and its subsidiaries to honor and continue to be obligated to perform all contractual rights of current and former employees of Alliance or any of its subsidiaries existing as of the date of the merger agreement under the terms of certain employment, severance, change in control agreement, deferred compensation plans, supplemental retirement plans and split-dollar agreements of Alliance and its subsidiaries. NBT has also agreed to honor certain severance guidelines in connection with the termination of employment of any of Alliance's employees. NBT has also agreed (A) to allocate an aggregate amount of up to \$525,000 among certain of Alliance's employees (none of whom shall be employees with severance or change of control agreements) to be distributed as retention payments pursuant to letter agreements executed by NBT and certain Alliance employees, in such form as is mutually agreed upon by NBT and Alliance, and payable at such times and upon such conditions as shall be set forth in such letter agreements and (B) to allow Alliance to allocate an aggregate amount of up to \$400,000 among certain Alliance employees to be distributed as discretionary bonus payments with such payments to be payable as of the closing date of the merger.

**Indemnification and Insurance**

*Indemnification.* Under the merger agreement, NBT has agreed that all rights to indemnification and all limitations of liability existing in favor of any director or officer of Alliance or any of its subsidiaries, as provided in the articles of incorporation and bylaws of Alliance, similar governing documents of an Alliance subsidiary or in applicable law as in effect on the date of the merger agreement with respect to matters occurring on or prior to the effective time of the merger will survive the merger.

*Directors and Officers Insurance.* The merger agreement provides for Alliance to purchase an extended reporting period endorsement under its existing directors and officers liability insurance coverage prior to the effective time of the merger in a form acceptable to Alliance. This extended reporting period endorsement will provide Alliance's directors and officers with coverage for six years following the effective time of the merger of not less than the existing coverage under, and have other terms at least as favorable to the insured persons as, the directors and officers liability insurance coverage presently maintained by Alliance so long as the aggregate cost is less than 200% of the annual premium currently paid by Alliance for such insurance. In the event that this premium limit is insufficient for such coverage, Alliance may enter into an agreement to spend up to that amount to purchase such lesser coverage as may be obtained with such amount.

**Charitable Commitments**

As provided in the merger agreement, NBT is committed to supporting charitable activities in the communities which Alliance serves consistent with Alliance's past practices and agreed that, for a period of three years following the effective time, NBT will continue Alliance's charitable giving in the region currently served by Alliance at an annual level of at least \$300,000. Determinations regarding the allocation of these funds shall be made by NBT in consultation with the Syracuse regional president for NBT Bank, who will be Richard J. Shirtz.

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**The Voting Agreement**

Alliance's Chairman, Chief Executive Officer and President, Jack H. Webb, has entered into a voting agreement with NBT. In the voting agreement, Mr. Webb agreed to vote, and granted NBT an irrevocable proxy and power of attorney to vote, all of his shares of Alliance common stock:

in favor of adoption and approval of the merger agreement and the transactions contemplated by the merger agreement, including the merger;

against any action or agreement that would result in a breach in any material respect of any covenant, representation or warranty, or any other obligation or agreement of Alliance contained in the merger agreement or of the shareholder contained in the voting agreement, or that would preclude fulfillment of a condition under the merger agreement to Alliance's and NBT's respective obligations to consummate the merger; and

against another acquisition proposal, or any agreement or transaction that is intended, or could reasonably be expected, to impede, interfere with, delay, postpone, discourage or adversely affect the consummation of the merger or any of the transactions contemplated by the merger agreement.

Under the voting agreement, Mr. Webb agreed not to, and not to permit any of his affiliates, to:

initiate, solicit, induce or knowingly encourage, or take any action to facilitate the making of, any inquiry, offer or proposal which constitutes, or could reasonably be expected to lead to, another acquisition proposal;

participate in any discussions or negotiations regarding another acquisition proposal, or furnish, or otherwise afford access, to any person (other than NBT) any information or data with respect to Alliance or any of its subsidiaries or otherwise relating to another acquisition proposal;

enter into any agreement, agreement in principle or letter of intent with respect to another acquisition proposal;

solicit proxies or become a participant in a solicitation with respect to another acquisition proposal (other than the merger agreement) or otherwise encourage or assist any party in taking or planning any action that would compete with, restrain or otherwise serve to interfere with or inhibit the timely consummation of the merger in accordance with the terms of the merger agreement;

initiate a shareholders' vote or action by consent of Alliance's shareholders with respect to another acquisition proposal; or

except by reason of the voting agreement, become a member of a group with respect to any voting securities of Alliance that takes any action in support of another acquisition proposal.

In addition, except under limited circumstances, Mr. Webb also agreed not to sell, assign, transfer or otherwise dispose of or encumber his shares of Alliance common stock while the voting agreement is in effect. The voting agreement terminates immediately upon the earlier of the effective time of the merger, the termination of the merger agreement in accordance with its terms, or mutual written agreement of NBT and Mr. Webb.

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As of the record date, Mr. Webb held 56,317 shares of Alliance common stock which represented approximately % of the outstanding Alliance common stock. Mr. Webb was not paid any additional consideration in connection with the execution of the voting agreement.

### **Additional Agreements**

NBT and Alliance have also agreed to use their reasonable best efforts to:

take all actions necessary, proper or advisable under the merger agreement and applicable law to consummate the merger as soon as practicable; and

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promptly prepare and file all necessary documentation to obtain the consent, approval and authorization of all third parties and governmental entities which are necessary or advisable to consummate the merger.

The merger agreement also contains covenants relating to cooperation in the preparation of this joint proxy statement/prospectus and additional agreements relating to, among other things, access to information, notice of certain matters, the listing of NBT common stock on NASDAQ and the redemption of trust preferred securities.

### **Conditions to Complete the Merger**

The obligations of NBT and Alliance to consummate the merger are subject to the fulfillment of the following conditions:

the merger agreement being approved by the requisite affirmative vote of the shareholders of NBT and Alliance.

NBT and Alliance having obtained all regulatory approvals required to consummate the transactions contemplated by the merger agreement, all related statutory waiting periods having expired, and none of the regulatory approvals having imposed any term, condition or restriction that NBT reasonably determines would prohibit or materially limit the ownership or operation by NBT or Alliance of all or any material portion of the business or assets of NBT or Alliance, or compel NBT to dispose of or hold separate all or any material portion of the business or assets of Alliance or NBT (a burdensome condition );

the absence of any order, decree or injunction in effect, or any law, statute or regulation enacted or adopted, that enjoins, prohibits, materially restricts or makes illegal the consummation of the transactions contemplated by the merger agreement; and

the registration statement, of which this joint proxy statement/prospectus is a part, being declared effective and the absence of any proceeding or threatened proceeding to suspend, or stop order suspending, that effectiveness.

In addition, the obligation of NBT to complete the merger is subject to the fulfillment or written waiver, where permissible, of the following conditions:

each of the representations and warranties of Alliance contained in the merger agreement having been true and correct as of the date of the merger agreement and as of the closing date of the merger, unless the failure of those representations and warranties to be true and correct, individually or in the aggregate, has not had, or would not reasonably be likely to have, a material adverse effect on Alliance;

each and all of the agreements and covenants of Alliance to be performed and complied with pursuant to the merger agreement on or prior to the closing date of the merger having been duly performed and complied with in all material respects;

NBT having received a certificate from the chief executive officer and chief financial officer of Alliance with respect to compliance with the foregoing conditions;

NBT having received an opinion from its tax counsel that the merger will be treated for federal income tax purposes as a reorganization under Section 368(a) of the Code;

NBT having obtained all regulatory approvals required to consummate the merger of NBT Bank and Alliance Bank, all related statutory waiting periods having expired, and none of the regulatory approvals having imposed any term, condition or restriction that NBT reasonably determines would be a burdensome condition; and

the absence of any order, decree or injunction in effect, or any law, statute or regulation enacted or adopted, that enjoins, prohibits, materially restricts or makes illegal the consummation of the merger of NBT Bank and Alliance Bank.

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The obligations of Alliance to complete the merger are subject to the fulfillment or written waiver, where permissible, of the following additional conditions:

each of the representations and warranties of NBT contained in the merger agreement having been true and correct as of the date of the merger agreement and as of the closing date of the merger, unless the failure of those representations and warranties to be true and correct, individually or in the aggregate, has not had, or would not reasonably be likely to have, a material adverse effect on NBT;

each and all of the agreements and covenants of NBT to be performed and complied with pursuant to the merger agreement on or prior to the closing date of the merger having been duly performed and complied with in all material respects;

Alliance having received a certificate from the chief executive officer and chief financial officer of NBT with respect to compliance with the foregoing conditions; and

Alliance having received an opinion from its tax counsel that the merger will be treated for federal income tax purposes as a reorganization under Section 368(a) of the Code.

Material adverse effect when used in reference to NBT or Alliance, means any fact, change, event, development, effect or circumstance that, individually or in the aggregate, (A) are, or would reasonably be expected to be, materially adverse to the business, operations, assets, liabilities, condition (financial or otherwise), results of operations, cash flows or properties of NBT or Alliance, taken as a whole, or (B) would reasonably be expected to prevent NBT or Alliance from performing its obligations under the merger agreement or consummating the transactions contemplated by the merger agreement; however, material adverse effect does not include the impact of:

any fact, change, event, development, effect or circumstance arising after the date of the merger agreement affecting banks or their holding companies generally or arising from changes in general business or economic conditions (and not specifically relating to or having the effect of specifically relating to or having a materially disproportionate effect on NBT or Alliance, taken as a whole);

any fact, change, event, development, effect or circumstance resulting from any change in law, generally accepted accounting principles or regulatory accounting after the date of the merger agreement, which affects generally entities such as NBT or Alliance, taken as a whole (and not specifically relating to or having the effect of specifically relating to or having a materially disproportionate effect on NBT or Alliance, taken as a whole);

actions and omissions of NBT or Alliance taken with the prior written consent of the other party in furtherance of the transactions contemplated by the merger agreement or otherwise permitted to be taken by NBT or Alliance under the merger agreement;

any fact, change, event, development, effect or circumstance resulting from the announcement or pendency of the transactions contemplated by the merger agreement;

any failure by NBT or Alliance to meet any internal or published industry analyst projections or forecasts or estimates of revenues or earnings for any period; and

changes in the trading price or trading volume of NBT's common stock.

**Termination of the Merger Agreement**

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The merger agreement may be terminated and the merger and the transactions contemplated by the merger agreement abandoned as follows:

by mutual written consent of the parties;

by NBT or Alliance if the merger is not consummated by July 1, 2013, unless the terminating party's failure to comply with the merger agreement was the cause of the failure of the merger to occur on or before this date;



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by NBT or Alliance if the other party materially breaches any of its representations, warranties, covenants or other agreements contained in the merger agreement (provided that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained in the merger agreement), and the breach cannot be or has not been cured within 30 days of written notice of the breach and such breach would entitle the non-breaching party not to consummate the transactions contemplated by the merger agreement;

by NBT or Alliance if any regulatory approval required for consummation of the merger and the other transactions contemplated by the merger agreement has been denied by final nonappealable action of any regulatory authority, or any governmental entity has issued a final nonappealable order, injunction or decree enjoining or otherwise prohibiting the transactions contemplated by the merger agreement, provided that the terminating party has used its reasonable best efforts to have the order, injunction or decree lifted;

by NBT or Alliance if the required approval of the merger agreement by the NBT or Alliance stockholders is not obtained at a duly held meeting of their respective stockholders or at any adjournment or postponement thereof;

by NBT, if the Alliance board of directors:

withdraws, qualifies, amends, modifies or withholds its recommendation to the Alliance shareholders to vote in favor of the merger agreement or makes any statement, filing or release that is inconsistent with the recommendation;

materially breaches its obligation to call, give notice of and commence the special meeting;

approves or recommends another acquisition proposal;

fails to publicly recommend against a publicly announced acquisition proposal within five business days of being requested to do so by NBT;

fails to publicly reconfirm its recommendation to its shareholders to vote in favor of the merger agreement within five business days of being requested to do so by NBT; or

resolves or otherwise determines to take, or announces an intention to take, any of the actions listed above;

by NBT if Alliance breaches in any material respect the provisions in the merger agreement prohibiting the solicitation of other offers; or

by Alliance, if its board of directors so determines by a majority vote of the members of its entire board, at any time during the five business day period commencing on the latest of the date, which is referred to as the determination date, on which (1) all regulatory approvals have been received, and (2) the approval of the merger agreement by the Alliance shareholders is obtained, if both of the following conditions are satisfied:

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the average of the daily closing sales prices of a share of NBT common stock as reported on NASDAQ for the 10 consecutive trading days immediately preceding the determination date is less than \$17.74 (which represents 80% of the average of the daily closing sales prices of a share of NBT common stock, as reported on NASDAQ, for the 10 consecutive trading days immediately preceding the date of the merger agreement); and

the number obtained by dividing the average of the daily closing sales prices of a share of NBT common stock as reported on NASDAQ for the 10 consecutive trading days immediately preceding the determination date by the average of the daily closing sales prices of a share of NBT common stock, as reported on NASDAQ, for the 10 consecutive trading days immediately preceding the date of the merger agreement is less than the quotient obtained by dividing the average of the closing prices of the NASDAQ Bank Index on each of the 10 consecutive trading

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days immediately preceding the determination date by the average of the closing prices of the NASDAQ Bank Index for the 10 consecutive trading days immediately preceding the date of the merger agreement, minus 0.20.

If the Alliance board of directors exercises the termination right described immediately above, NBT will have the option to increase the amount of NBT common stock to be provided to Alliance shareholders such that the implied value of the exchange ratio would be equivalent to the minimum implied value that would have avoided triggering the termination right described above. If Alliance elects to increase the exchange ratio pursuant to the preceding sentence, no termination will occur.

**Termination Fee**

For purposes of the termination fee provisions described below, all references to 15% in the definition of acquisition transaction set forth under the caption No Solicitation on page 87 shall instead refer to 50%.

Under the terms of the merger agreement, Alliance must pay NBT a termination fee of \$9.3 million if:

NBT terminates the merger agreement as a result of the Alliance board of directors:

withdrawing, qualifying, amending, modifying or withholding its recommendation to the Alliance shareholders to vote in favor of the merger agreement or making any statement, filing or release that is inconsistent with the recommendation;

materially breaching its obligation to call, give notice of and commence the special meeting;

approving or recommending another acquisition proposal;

failing to publicly recommend against a publicly announced acquisition proposal within five business days of being requested to do so by NBT;

failing to publicly reconfirm its recommendation to its shareholders to vote in favor of the merger agreement within five business days of being requested to do so by NBT; or

resolving or otherwise determining to take, or announcing an intention to take, any of the actions listed above;

NBT terminates the merger agreement as a result of a material breach by Alliance of the provisions in the merger agreement prohibiting the solicitation of other offers;

NBT or Alliance terminates the merger agreement as a result of:

the failure of the Alliance shareholders to approve the merger agreement, or the merger not having been consummated by July 1, 2013, due to the failure of Alliance shareholders to approve the merger agreement, and both an acquisition proposal with respect to Alliance has been publicly announced, disclosed or otherwise communicated to the Alliance board of directors or senior management of Alliance prior to July 1, 2013, or prior to the special meeting, as applicable; and

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within 12 months of termination of the merger agreement, Alliance recommends to its shareholders another acquisition proposal or enters into a definitive agreement with respect to, or consummates, another acquisition transaction; or

NBT terminates the merger agreement as a result of a material breach by Alliance of any of its representations, warranties, covenants or agreements contained in the merger agreement, if both:

an acquisition proposal with respect to Alliance has been publicly announced, disclosed or otherwise communicated to the Alliance board of directors or senior management of Alliance prior to such breach or during the related cure period; and

within 12 months of termination of the merger agreement, Alliance recommends to its shareholders another acquisition proposal or enters into a definitive agreement with respect to, or consummates, another acquisition transaction.

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**Waiver and Amendment**

At any time prior to the completion of the merger, the merger agreement may be waived by the party intended to benefit by the provision, or amended or modified by a written action taken or authorized by their respective boards of directors. However, after the approval of the merger agreement by the Alliance shareholders, no amendment will be made which by law requires further approval by Alliance shareholders without such further approval.

**Expenses**

Each party will pay all fees and expenses it incurs in connection with the merger agreement and the related transactions, except that NBT and Alliance will share equally any printing costs and SEC filing and registration fees.

**Specific Performance**

NBT and Alliance have agreed that they are each entitled to an injunction or other equitable relief to prevent breaches of the merger agreement and to enforce specifically the terms and provisions of the merger agreement, this being in addition to any other remedy to which the parties are entitled at law or in equity.

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**COMPARISON OF STOCKHOLDER RIGHTS**

Alliance is incorporated under the laws of the State of New York and NBT is incorporated under the laws of the State of Delaware. Upon completion of the merger, the restated certificate of incorporation and bylaws of NBT in effect immediately prior to the effective time of the merger will be the certificate of incorporation and bylaws of the combined company and the rights of Alliance shareholders who receive shares of NBT common stock as a result of the merger will be governed by Delaware law, NBT's restated certificate of incorporation, which is referred to in this joint proxy statement/prospectus as NBT's certificate of incorporation, and NBT's bylaws. The following discussion summarizes certain material differences between the rights of holders of Alliance common stock and NBT common stock resulting from the differences in the companies' respective governing documents and Delaware and New York law.

This discussion does not purport to be a complete statement of the rights of holders of NBT common stock under applicable Delaware law and NBT's certificate of incorporation and bylaws or the rights of holders of Alliance common stock under applicable New York law and Alliance's amended and restated certificate of incorporation, which is referred to in this joint proxy statement/prospectus as Alliance's certificate of incorporation, and Alliance's amended and restated bylaws, which are referred to in this joint proxy statement/prospectus as Alliance's bylaws, and is qualified in its entirety by reference to the governing corporate documents of NBT and Alliance and applicable law. See "Where You Can Find More Information" beginning on page 115.

	<b>Alliance</b>	<b>NBT</b>
<b>Capital Stock</b>	Alliance's certificate of incorporation authorizes 10,000,000 shares of common stock, par value \$1.00 per share, 900,000 shares of undesignated preferred stock, par value \$1.00 per share, and 100,000 shares of Series A Junior Participating Preferred Stock, par value \$1.00 per share. As of _____, 2012, there were _____ shares of Alliance's common stock and no shares of Alliance's undesignated preferred stock or Series A Junior Participating Preferred Stock issued and outstanding.	NBT's certificate of incorporation authorizes 100,000,000 shares of common stock, par value \$0.01 per share, 2,450,000 shares of undesignated preferred stock, par value \$0.01 per share, and 50,000 shares of Series A Junior Participating Preferred Stock, par value \$0.01 per share. As of _____, 2012, there were _____ shares of NBT's common stock and no shares of NBT's undesignated preferred stock or Series A Junior Participating Preferred Stock issued and outstanding.

*Both Alliance and NBT may issue preferred stock without stockholder approval.*

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	<b>Alliance</b>	<b>NBT</b>
<b>Board of Directors; Classification</b>	<p>The New York Business Corporation Law, or NYBCL, provides that the board of directors of a New York corporation must consist of one or more members and the number of directors may be fixed by the bylaws of the corporation or by action of the shareholders or the board of director under the specific provisions of a bylaw adopted by the shareholders.</p> <p>Alliance's certificate of incorporation and bylaws provide that the number of directors shall not be less than 9 nor more than 25 and that the exact number will be fixed and determined by the board of directors or by resolution approved by a majority of the total votes eligible to be voted at a meeting of Alliance's shareholders.</p> <p>Alliance's board of directors is not classified and each director is elected to serve an annual term.</p> <p><i>Alliance's board of directors is not classified as compared to NBT's board of directors, which is classified.</i></p>	<p>The Delaware General Corporation Law, or DGCL, provides that the board of directors of a Delaware corporation must consist of one or more directors. The certificate of incorporation or bylaws of a corporation may fix the number of directors.</p> <p>NBT's bylaws provide that the number of directors shall not be less than five nor more than 25. If the merger is completed, the size of the NBT board of directors will be expanded by three additional members. The NBT board of directors is divided into three classes, which shall be as nearly equal in number as possible, with directors in each class being elected for staggered three-year terms.</p>
<b>Removal of Directors</b>	<p>Any director of Alliance may be removed without cause only upon the affirmative vote of holders of not less than 80% of the shares entitled to vote generally in the election of directors.</p> <p>Under the NYBCL, any or all of the directors may be removed for cause by vote of the shareholders.</p> <p><i>Alliance directors may be removed by shareholders with or without cause as compared to NBT directors, who may be removed by stockholders only for cause.</i></p>	<p>Any director of NBT may be removed at any time, but only for cause, by the affirmative vote of a majority of the shares entitled to vote and present, in person or by proxy, at the meeting called for such purpose.</p>
<b>Right to Call a Special Meeting of Stockholders</b>	<p>Alliance's bylaws provide that a special meeting of shareholders may be called by the board of directors, the Chief Executive Officer, or, if there is none, the President, or by the shareholders entitled to cast at least 25% of the vote which all shareholders are entitled to cast at the meeting.</p> <p><i>Both Alliance shareholders and NBT stockholders may call a special meeting of stockholders, subject to certain minimum vote requirements.</i></p>	<p>NBT's bylaws provide that a special meeting of stockholders may be called by the board of directors, by its Chairman, or, if there is none, by NBT's President, or by the holders of not less than one-half of all the shares entitled to vote at such meeting.</p>

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	<b>Alliance</b>	<b>NBT</b>
<b>Notice of Stockholder Meetings</b>	Under the NYBCL, notice of a meeting of shareholders may be written or electronic and must generally be given not fewer than 10 nor more than 60 days before the date of the meeting.	NBT's bylaws provide that except as otherwise required by law, written notice of any stockholders meeting must be given not less than 10 nor more than 60 days before the meeting date to each stockholder of record entitled to vote at such meeting.
	<i>Both Alliance and NBT must provide prior written notice of any stockholders meeting within the same time period.</i>	
<b>Stockholder Nominations and Proposals</b>	With respect to director nominations, Alliance's bylaws provide that nominations for directors to be elected at an annual meeting of shareholders, except those made by Alliance's board of directors, must be submitted to Alliance in writing not less than 90 nor more than 120 days immediately preceding the meeting date.	With respect to director nominations, NBT's bylaws provide that nominations of candidates for election as directors must be made in writing and delivered to NBT within 10 days following the day on which public disclosure of the date of the relevant stockholders meeting is first given.
	With respect to other proposals, Alliance's bylaws provide that, subject to certain exceptions, a shareholder's notice must be delivered to and received by Alliance at least 45 days prior to the date of the annual meeting.	With respect to other proposals, NBT's bylaws provide that, subject to certain exceptions, for other business to be brought before an annual stockholder meeting, a stockholder must give written notice and that written notice must be received by NBT at least 60 but no more than 90 days prior to the anniversary date of the immediately preceding annual meeting of stockholders.
	Shareholder notices must contain certain information, as required by Alliance's bylaws.	Stockholder notices must contain certain information, as required by NBT's bylaws.
	<i>Both Alliance shareholders and NBT stockholders have the ability to bring proposals before an annual meeting of stockholders, subject to certain procedural requirements.</i>	



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	<b>Alliance</b>	<b>NBT</b>
<b>Amendment to Certificate of Incorporation</b>	<p>Amendments generally require the approval of the board of directors and the approval of the holders of a majority of all outstanding shares entitled to vote upon the amendment. Alliance's certificate of incorporation provides that the affirmative vote of the holders of not less than 80% of the votes entitled to be cast by the holders of all then outstanding shares of Alliance common stock shall be required to amend Articles 6 (Preemptive Rights), 7 (Election of Directors), 8 (Opposition of Tender (or Other) Offer), 9 (Shareholder Approval of Certain Business Combinations), 10 (Board Approval of Certain Transactions), 11 (Director Liability) and 12 (Amendments to Articles) of the certificate of incorporation. However, such 80% vote shall not be required for any amendment approved by 66-2/3% of the board of directors, if all of such directors are persons who would be eligible to serve as continuing directors (as defined in Alliance's certificate of incorporation).</p> <p><i>Amendments to each of Alliance's and NBT's charters may be approved by holders of a majority of all shares entitled to vote at a meeting, except that amendments to certain provisions in Alliance's and NBT's charter require approval by a greater percentage of the outstanding shares of stock.</i></p>	<p>Amendments generally require the approval of the board of directors and the approval of the holders of a majority of the outstanding stock entitled to vote upon the amendment. Any amendment to those provisions of the certificate of incorporation relating to business combinations involving NBT or a subsidiary and a major stockholder of NBT (as defined in NBT's certificate of incorporation) or affiliate require the affirmative vote of at least 80% of the outstanding shares of voting stock, and if there is a major stockholder, such 80% vote must include the affirmative vote of at least 80% of the outstanding shares of voting stock held by stockholders other than the major stockholder and its affiliates.</p>
<b>Amendment to Bylaws</b>	<p>The board of directors of Alliance or its shareholders may from time to time amend the bylaws.</p> <p><i>The bylaws of each of Alliance and NBT may be amended from time to time by their respective board of directors or stockholders.</i></p>	<p>NBT's directors, by majority vote, may amend or repeal the bylaws. Except as otherwise provided in the bylaws, all bylaws are subject to amendment by the vote of a majority of the total number of issued and outstanding shares of common stock of NBT entitled to vote at any annual or special meeting. The stockholders may provide that certain bylaws adopted, approved or designated by them may not be amended, altered or repealed except by a certain specified percentage in interest of the stockholders or a particular class of stockholders.</p>

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	<b>Alliance</b>	<b>NBT</b>
<b>Stockholder Rights Plan</b>	None.	<p>NBT has a stockholder rights plan under which stockholders have the right to buy additional shares at a discount if any person (including existing stockholders) acquires 15% or more of the outstanding shares of NBT common stock. The stockholder rights plan is designed to ensure that a potential acquiror of NBT will negotiate with the NBT board of directors and that all of NBT stockholders are treated equitably in the event of a takeover attempt. The rights issued under the plan have anti-takeover effects.</p> <p><i>NBT has a stockholder rights plan, while Alliance does not have a shareholder rights plan currently in place.</i></p>
<b>Action without a Meeting</b>	<p>Under the NYBCL, any action by the shareholders may be taken without a meeting by written consent, provided that such written consent sets forth the action so taken and is signed by the holders of all outstanding shares entitled to vote thereon.</p> <p><i>Both Alliance shareholders and NBT stockholders may take action by written consent in lieu of a meeting, although Alliance shareholders may take action by written consent in lieu of a meeting only with the consent of all shareholders entitled to vote at a meeting.</i></p>	<p>NBT's bylaws provide that any action that may be taken at a meeting of stockholders may be taken without a meeting, without prior notice and without a vote, provided that a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding shares of stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.</p>

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**Vacancies on the Board of Directors and Additional Directors**

**Alliance**

Alliance's bylaws provide that vacancies, including vacancies resulting from an increase in the number of directors, shall be filled by vote of the remaining members of the board of directors. Increases in the board of directors between annual meetings of stockholders shall be limited to not more than three members per year.

**NBT**

NBT's bylaws provide that any vacancy on the board of directors may be filled, except if such vacancy is a result of an increase by more than three in the number of directors, by the majority vote of the remaining directors. If, at the next election of directors by the stockholders, the term of office of any vacancy filled by the remaining directors has not expired, then the stockholders shall fill such vacancy for the remainder of the unexpired term. Additionally, any vacancy, including one caused by an increase in the number of directors, may be filled by vote of the stockholders. The bylaws further provide that between annual meetings of stockholders, the board of directors may increase the number of directors by not more than three.

*The boards of directors of each of Alliance and NBT may fill vacancies, including up to three vacancies resulting from an increase in the number of directors.*

**Rights of Dissenting Stockholders**

Under the NYBCL, a shareholder has the right to receive payment of the fair value of his shares if the shareholder is: (1) entitled to vote and does not assent to any plan of merger or consolidation to which the corporation is a party, any sale, lease, exchange or other disposition of all or substantially all of the assets of a corporation or share exchange; (2) a shareholder of the subsidiary corporation in a merger who files with the corporation a written notice of election to dissent; or (3) not entitled to vote with respect to a plan of merger or consolidation to which the corporation is a party and whose shares will be cancelled or exchanged in the merger or consolidation for cash or other consideration other than shares of the surviving or consolidated corporation or another corporation.

Under the DGCL, stockholders may, in the case of a merger or consolidation, obtain a judicial appraisal of the fair value of their shares if they have neither voted in favor of nor consented in writing to the merger or consolidation. Stockholders do not have appraisal rights with respect to shares of any class or series of stock if such shares of stock, at the record date fixed to determine the stockholders entitled to receive notice of the meeting of stockholders, are either (1) listed on a national securities exchange or (2) held of record by more than 2,000 holders, unless the stockholders receive in exchange for their shares anything other than:

shares of stock of the surviving corporation (or depositary receipts in respect thereof), or of any other corporation that is publicly listed on a national securities exchange or held by more than 2,000 holders of record;

A shareholder does not have appraisal rights if the shareholder is a shareholder: (1) of the parent corporation in a merger of parent and subsidiary corporations; (2)

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	<b>Alliance</b>	<b>NBT</b>
	of the surviving corporation in a merger; or (3) of any class or series of stock listed on a national securities exchange.	cash in lieu of fractional shares or fractional depositary receipts described above; or
	Any shareholder who elects to dissent from a merger or from a share exchange shall file a written notice of such election to dissent within twenty days after receiving a copy of the plan of merger or exchange or an outline of the material features of such plan.	any combination of the foregoing.
	The organizational documents of Alliance do not grant appraisal rights in addition to those provided by the NYBCL.	The DGCL permits a corporation to provide appraisal rights in its certificate of incorporation in the case of a charter amendment, any merger or consolidation in which the corporation is a constituent corporation or a sale of all or substantially all of the assets of the corporation.
		The organizational documents of NBT do not grant appraisal rights in addition to those provided by the DGCL.
	<i>Both Alliance shareholders and NBT stockholders have appraisal rights, subject to certain exceptions and limitations.</i>	
<b>Preemptive Rights</b>	Preemptive rights generally allow a shareholder to maintain its proportionate share of ownership of a corporation by permitting the shareholder to purchase a proportionate share of any new stock issuances. Preemptive rights protect the shareholders from dilution of value and control upon new stock issuances.	
	Under Alliance's amended and restated certificate of incorporation, no shareholder shall have any preemptive rights.	Under the DGCL, unless the certificate of incorporation provides otherwise, stockholders have no preemptive rights. NBT's restated certificate of incorporation does not provide preemptive rights. Accordingly, NBT stockholders do not have preemptive rights.
	<i>Neither Alliance shareholders nor NBT stockholders have preemptive rights.</i>	
<b>Dividends</b>	Under the NYBCL, a corporation may declare and pay dividends from time to time, except when the corporation is insolvent or when the declaration, payment or distribution would be contrary to any restrictions contained in the certificate of incorporation. Dividends may be declared or paid out of a corporation's surplus or net profits (if no surplus).	Under the DGCL, the board of directors may declare and pay dividends out of either its surplus or net profits (if no surplus) for the year in which dividends are announced and/or the preceding fiscal year.
	<i>Alliance and NBT are each subject to substantially the same restrictions on declaring dividends.</i>	

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	<b>Alliance</b>	<b>NBT</b>
<b>Business Combinations</b>	<p>Alliance's certificate of incorporation provides that a business combination (as defined therein) must be approved by the affirmative vote of not less than 80% of the votes entitled to be cast by the holders of all then outstanding shares of Alliance common stock. However, such affirmative vote shall not be required if (1) the business combination has been approved by 66-2/3% or more of the continuing directors (as defined in the certificate of incorporation) and (2) the aggregate amount of cash, and the fair market value (as defined in the certificate of incorporation) of consideration other than cash, as of the date the business combination is consummated shall be at least equal to the higher of (a) the highest per share price paid by or on behalf of an interested shareholder (as defined in the certificate of incorporation) for any share of Alliance common stock within the two-year period immediately prior to the first public announcement of the business combination or (b) the fair market value per share of Alliance common stock on the announcement date or on the date the interested shareholder became an interested shareholder.</p>	<p>NBT's certificate of incorporation provides that the affirmative vote of the holders of not less than 80% of the total voting power of the outstanding shares entitled to vote in the election of any particular class of directors and held by disinterested stockholders is required to approve any business combination (as defined in NBT's certificate of incorporation) with a major stockholder (as defined in NBT's certificate of incorporation). However, such an affirmative vote would not be required in certain instances, including if the business combination is approved by 66-2/3% of the directors who were directors prior to the time when the major stockholder became a major stockholder.</p>

*The charter of each of Alliance and NBT contains business combination provisions requiring a higher vote requirement in the event of certain transactions with interested stockholders.*

**Anti-Takeover Provisions**

*Alliance.* Under the NYBCL, a New York corporation is prohibited from engaging in any business combination with an interested shareholder for a period of five years from the date such interested shareholder first becomes an interested shareholder. There is an exception to the five-year waiting period if:

the business combination was approved by the board of directors of the corporation prior to the date on which the interested shareholder purchased stock which caused the interested shareholder to become an interested shareholder;

the acquisition of stock by the interested shareholder which caused the interested shareholder to become an interested shareholder was approved by the board of directors of the corporation prior to the date on which the interested shareholder first becomes an interested shareholder;

the business combination was approved by the affirmative vote of the holders of a majority of the outstanding voting stock not beneficially owned by the interested shareholder or its affiliates at a meeting called for such purpose no earlier than five years after such interested shareholder becomes an interested shareholder; or

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the business combination meets certain conditions relating to, among other things, the aggregate amount of cash and the market value of consideration other than cash to be received per share by holders of outstanding shares of common stock of the corporation in such business combination.

The NYBCL defines the term *business combination* to include transactions such as mergers, consolidations or transfers of 10% or more of the assets of the corporation. The NYBCL defines the term *interested shareholder* generally as any person who (together with affiliates and associates) owns (or in certain cases, within the past five years did own) 20% or more of the outstanding voting stock of the corporation.

*NBT.* Under the DGCL, a Delaware corporation is prohibited from engaging in any business combination with an *interested stockholder* for a period of three years from the date on which the stockholder first becomes an interested stockholder. There is an exception to the three-year waiting period requirement if:

prior to the stockholder becoming an interested stockholder, the board of directors approves the business combination or the transaction in which the stockholder became an interested stockholder;

upon the completion of the transaction in which the stockholder became an interested stockholder, the interested stockholder owns at least 85% of the voting stock of the corporation other than shares held by directors who are also officers and certain employee stock plans; or

the business combination is approved by the board of directors and by the affirmative vote of 66-2/3% of the outstanding voting stock not owned by the interested stockholder at a meeting.

The DGCL defines the term *business combination* to include transactions such as mergers, consolidations or transfers of 10% or more of the assets of the corporation. The DGCL defines the term *interested stockholder* generally as any person who (together with affiliates and associates) owns (or in certain cases, within the past three years did own) 15% or more of the outstanding voting stock of the corporation.

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**UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

The following Unaudited Pro Forma Condensed Combined Financial Data is based on the historical financial data of NBT and Alliance, and has been prepared to illustrate the effects of the merger. The Unaudited Pro Forma Condensed Combined Financial Data does not give effect to any anticipated synergies, operating efficiencies or cost savings that may be associated with the merger. The Unaudited Pro Forma Condensed Combined Income Statement also does not include any integration costs the companies may incur related to the merger as part of combining the operations of the companies.

The results of operations data below is presented as if the merger was completed on January 1, 2011 and the balance sheet data below is presented as if the merger was completed on September 30, 2012.

The unaudited pro forma financial data included in this joint proxy statement/prospectus is based on the historical financial statements of NBT and Alliance, and on publicly available information and certain assumptions that NBT and Alliance believe are reasonable, which are described in the notes to the Unaudited Pro Forma Condensed Combined Financial Statements included in this joint proxy statement/prospectus.

This data should be read in conjunction with the NBT and Alliance historical consolidated financial statements and accompanying notes in NBT's and Alliance's respective Quarterly Reports on Form 10-Q as of and for the nine months ended September 30, 2012 and NBT's Annual Report on Form 10-K and Alliance's Annual Report on Form 10-K as of and for the year ended December 31, 2011.

NBT has not performed detailed valuation analysis necessary to determine the fair market values of Alliance's assets to be acquired and liabilities to be assumed. Accordingly, the pro forma condensed combined financial data does not include an allocation of the purchase price, unless otherwise specified. The pro forma adjustments included in this joint proxy statement/prospectus are subject to change depending on changes in interest rates and the components of assets and liabilities and as additional information becomes available and additional analyses are performed. The final allocation of the purchase price will be determined after the merger is completed and after completion of thorough analyses to determine the fair value of Alliance's tangible and identifiable intangible assets and liabilities as of the date the merger is completed. Increases or decreases in the fair values of the net assets as compared with the information shown in the unaudited pro forma combined condensed consolidated financial information may change the amount of the purchase price allocated to goodwill and other assets and liabilities and may impact NBT's statement of operations due to adjustments in yield and/or amortization of the adjusted assets or liabilities. Any changes to Alliance's shareholders' equity, including results of operations from September 30, 2012 through the date the merger is completed, will also change the purchase price allocation, which may include the recording of a lower or higher amount of goodwill. The final adjustments may be materially different from the unaudited pro forma adjustments presented in this joint proxy statement/prospectus.

NBT anticipates that the merger with Alliance will provide the combined company with financial benefits that include reduced operating expenses. The pro forma information, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the benefits of expected cost savings or opportunities to earn additional revenue and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical benefits of the combined company would have been had the two companies been combined during these periods.

**The unaudited pro forma stockholders' equity and net income are qualified by the statements set forth under this caption and should not be considered indicative of the market value of NBT common stock or the actual or future results of operations of NBT for any period. Actual results may be materially different than the pro forma information presented.**

**Table of Contents****Unaudited Pro Forma Condensed Combined Statements of Financial Condition**

As of September 30, 2012

(In thousands, except share and per share data)

	Historical		Pro Forma Before Adjustments	Merger Pro Forma Adjustments	Pro Forma Combined
	NBT	Alliance			
<b>Assets</b>					
Cash and due from banks	\$ 137,747	\$ 88,703	\$ 226,450	(14,797) (1)	\$ 211,653
Short-term interest bearing accounts	2,693		2,693		2,693
Securities available for sale, at fair value	1,191,107	343,211	1,534,318	(1,905) (4)	1,532,413
Securities held to maturity (fair value \$62,401)	61,302		61,302		61,302
Trading securities	3,851		3,851		3,851
Federal Reserve and Federal Home Loan Bank stock	28,706	7,983	36,689		36,689
Loans and leases	4,251,119	906,742	5,157,861	4,534 (2)	5,162,395
Less allowance for loan and lease losses	70,734	8,483	79,217	(8,483) (2)	70,734
Net loans and leases	4,180,385	898,259	5,078,644	13,017	5,091,661
Premises and equipment, net	77,326	16,879	94,205	(3)	94,205
Goodwill	152,251	30,844	183,095	71,513 (4)	254,608
Intangible assets, net	17,346	7,029	24,375	7,684 (5)	32,059
Bank owned life insurance	79,854	30,172	110,026		110,026
Other assets	96,348	22,960	119,308		119,308
<b>Total assets</b>	<b>\$ 6,028,916</b>	<b>\$ 1,446,040</b>	<b>\$ 7,474,956</b>	<b>75,512</b>	<b>7,550,468</b>
<b>Liabilities</b>					
Demand (noninterest bearing)	\$ 1,187,502	\$ 212,437	\$ 1,399,939		\$ 1,399,939
Savings, NOW, and money market	2,599,556	655,532	3,255,088		3,255,088
Time	1,018,957	258,434	1,277,391	1,126 (6)	1,278,517
Total deposits	4,806,015	1,126,403	5,932,418	1,126	5,933,544
Short-term borrowings	137,365	27,134	164,499		164,499
Long-term debt	367,144	100,000	467,144	8,645 (7)	475,789
Trust preferred debentures	75,422	25,774	101,196		101,196
Other liabilities	66,309	18,351	84,660	1,272 (8)	85,932
Total liabilities	5,452,255	1,297,662	6,749,917	11,043	6,760,960
<b>Stockholders equity</b>					
Preferred stock					
Common stock	393	5,104	5,497	(5,000)	497
Additional paid-in-capital	345,934	47,651	393,585	179,889	573,474
Retained earnings	351,261	103,225	454,486	(118,022)	336,464
Directors stock-based deferred comp plan		(3,754)	(3,754)	3,754	
Accumulated other comprehensive loss	(3,746)	4,808	1,062	(4,808)	(3,746)
Common stock in treasury, at cost	(117,181)	(8,656)	(125,837)	8,656	(117,181)
Total stockholders equity	576,661	148,378	725,039	64,469 (9)	789,508
<b>Total liabilities and stockholders equity</b>	<b>\$ 6,028,916</b>	<b>\$ 1,446,040</b>	<b>\$ 7,474,956</b>	<b>\$ 75,512</b>	<b>\$ 7,550,468</b>





**Table of Contents****Unaudited Pro Forma Condensed Combined Income Statements****Nine Months Ended September 30, 2012**

	Historical		Pro Forma Before Adjustments	Merger Pro Forma Adjustments	Note	Pro Forma Combined
	NBT	Alliance				
<b><i>Interest, fee, and dividend income</i></b>						
Interest and fees on loans and leases	\$ 154,534	\$ 29,270	\$ 183,804	\$ (557)	(10)	\$ 183,247
Securities available for sale	21,024	7,286	28,310	(2,477)	(11)	25,833
Securities held to maturity	1,829		1,829			1,829
Other	1,153	103	1,256			1,256
Total interest, fee, and dividend income	\$ 178,540	\$ 36,659	\$ 215,199	\$ (3,034)		\$ 212,165
<b><i>Interest expense</i></b>						
Deposits	\$ 14,521	\$ 3,803	\$ 18,324	(282)	(12)	18,042
Short-term borrowings	149	15	164			164
Long-term debt	10,801	2,527	13,328	(2,161)	(13)	11,167
Trust preferred debentures	1,319	514	1,833			1,833
Total interest expense	26,790	6,859	33,649	(2,443)		31,206
Net interest income	151,750	29,800	181,550	(591)		180,959
Provision for loan and lease losses	13,329	(300)	13,029			13,029
Net interest income after provision for loan and lease losses	138,421	\$ 30,100	\$ 168,521	(591)		\$ 167,930
<b><i>Noninterest income</i></b>						
Insurance and other financial service revenue	\$ 17,024	\$	\$ 17,024	\$		\$ 17,024
Service charges on deposit accounts	13,538	3,167	16,705			16,705
ATM and debit card fees	9,403	2,059	11,462			11,462
Retirement plan administration fees	7,462		7,462			7,462
Trust	6,683	5,636	12,319			12,319
Bank owned life insurance	2,228	742	2,970			2,970
Net securities gains	578		578			578
Other	8,449	1,981	10,430			10,430
Total noninterest income	\$ 65,365	\$ 13,585	\$ 78,950	\$	(14)	\$ 78,950
<b><i>Noninterest expense</i></b>						
Salaries and employee benefits	\$ 78,358	\$ 17,103	\$ 95,461	\$		\$ 95,461
Occupancy	13,150	2,817	15,967			15,967
Data processing and communications	10,041	2,009	12,050			12,050
Professional fees and outside services	7,848	2,229	10,077			10,077