

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION WASHINGTON, DC 20549
FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____
COMMISSION FILE NUMBER: 0-14703

NBT BANCORP INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

16-1268674
(IRS Employer Identification No.)

52 SOUTH BROAD STREET
NORWICH, NEW YORK 13815
(Address of principal executive office) (Zip Code)
(607) 337-2265 (Registrant's telephone number, including area code)

Securities registered pursuant to section 12(b) of the Act: None
Securities registered pursuant to section 12(g) of the Act: Common Stock (\$0.01 par value per share)

Stock Purchase Rights Pursuant to Stockholders Rights Plan

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Act. Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to item 405 of Regulation S-K (Section 299.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K o.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). o Yes x No

Based upon the closing price of the registrant's common stock as of June 30, 2005, the aggregate market value of the voting stock, common stock, par value, \$0.01 per share, held by non-affiliates of the registrant is \$765,237,485

The number of shares of Common Stock outstanding as of February 28, 2006, was 34,454,675.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for its Annual Meeting of Stockholders to be held on May 2, 2006 are incorporated by reference into Part III, Items 10, 11, 12, 13 and 14 of this Form 10-K.

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- (a)
 - (1) Financial Statements (See Item 8 for Reference).
 - (2) Financial Statement Schedules normally required on Form 10-K are omitted since they are not applicable.
 - (3) Exhibits.
- (b) Refer to item 15(a)(3)above.
- (c) Refer to item 15(a)(2) above.

[SIGNATURES](#)

* Information called for by Part III (Items 10 through 14) is incorporated by reference to the Registrant's Proxy Statement for the 2006 Annual Meeting of Stockholders.

PART I

ITEM 1. BUSINESS

NBT Bancorp Inc. (the “Registrant” or the “Company”) is a registered financial holding company incorporated in the state of Delaware in 1986, with its principal headquarters located in Norwich, New York. The Company, on a consolidated basis, at December 31, 2005 had assets of \$4.4 billion and stockholders’ equity of \$334 million. The Registrant is the parent holding company of NBT Bank, N.A. (“the Bank”), NBT Financial Services, Inc. (“NBT Financial”), CNBF Capital Trust I, NBT Statutory Trust I, and NBT Statutory Trust II (“the Trusts”) (see Note 12 to the Notes to Consolidated Financial Statements). Through the Bank and NBT Financial, the Company is focused on community banking operations. The Trusts were organized to raise additional regulatory capital and to provide funding for certain acquisitions. The Registrant’s primary business consists of providing commercial banking and financial services to its customers in its market area. The principal assets of the Registrant are all of the outstanding shares of common stock of its direct subsidiaries, and its principal sources of revenue are the management fees and dividends it receives from the Bank and NBT Financial.

The Bank is a full service commercial bank formed in 1856, which provides a broad range of financial products to individuals, corporations and municipalities throughout the central and upstate New York and northeastern Pennsylvania market area. The Bank conducts business through two geographic operating divisions, NBT Bank and Pennstar Bank.

The NBT Bank division has 74 divisional offices and 100 automated teller machines (ATMs), located primarily in central and upstate New York. At December 31, 2005, NBT Bank had total loans and leases of \$2.3 billion and total deposits of \$2.4 billion.

The Pennstar Bank division has 39 divisional offices and 54 ATMs, located primarily in northeastern Pennsylvania. At December 31, 2005, Pennstar Bank had total loans and leases of \$677.3 million and total deposits of \$806.4 million.

The Bank has six operating subsidiaries, NBT Capital Corp., Pennstar Services Company, Broad Street Property Associates, Inc., NBT Services, Inc., Pennstar Realty Trust, and CNB Realty Trust. NBT Capital Corp., formed in 1998, is a venture capital corporation formed to assist young businesses develop and grow in the markets we serve. Broad Street Property Associates, Inc. formed in 2004, is a property management company. NBT Services, Inc. formed in 2004, is the holding company of and has an 80% ownership interest in NBT Settlement Services, LLC. NBT Settlement Services, formed in 2004, provides title insurance products to individuals and corporations. Pennstar Realty Trust, formed in 2000, and CNB Realty Trust formed in 1998, are real estate investment trusts. Pennstar Services Company, formed in 2002, provides services to the Pennstar Bank division of the Bank.

NBT Financial, formed in 1999, is the parent company of EPIC Advisors, Inc. (“EPIC”). EPIC, acquired in January 2005, is a full service 401(k) plan recordkeeping firm. During March 2005, NBT Financial sold M. Griffith, Inc., a registered securities broker-dealer offering financial and retirement planning as well as life, accident and health insurance.

CNBF Capital Trust I (“Trust I”), a Delaware statutory business trust formed in 1999 and NBT Statutory Trust I, a Delaware statutory business trust formed in 2005, for the purpose of issuing trust preferred securities and lending the proceeds to the Company. In connection with the acquisition of CNB Bancorp, Inc. mentioned below, the Company formed NBT Statutory Trust II (“Trust II”) in February 2006 to fund the cash portion of the acquisition as well as to provide regulatory capital. The Company raised \$51.5 million through Trust II in February 2006. The Company guarantees, on a limited basis, payments of distributions on the trust preferred securities and payments on redemption of the trust preferred securities. The Trusts are variable interest entities (VIEs) for which the Company is not the primary beneficiary, as defined in Financial Accounting Standards Board Interpretation (“FIN”) No. 46 “Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51 (Revised December 2003) (FIN 46R).” In accordance with FIN 46R, the accounts of the Trusts are not included in the Company’s consolidated financial statements. See the Company’s accounting policy related to consolidation in Note 1 — Summary of Significant Accounting Policies in the notes to consolidated financial statements included in Item 8 Financial Statements and Supplementary Data, which is located elsewhere in this report.

Recent Developments - Acquisition of CNB Bancorp, Inc.

On February 10, 2006, the Company acquired CNB Bancorp, Inc. (“CNB”), a bank holding company headquartered in Gloversville, New York. The acquisition was accomplished by merging CNB with and into the Company. By virtue of this acquisition, CNB’s banking subsidiary, City National Bank and Trust Company, was merged with and into NBT Bank. City National Bank and Trust Company operated 9 full-service community banking offices - located in Fulton, Hamilton, Montgomery and Saratoga counties, with approximately \$400 million in assets. The Merger increases the Company’s assets to approximately \$4.9 billion.

In connection with the Merger, the Company issued an aggregate of 2.1 million shares of Company common stock and \$39 million in cash to the former holders of CNB common stock.

CNB nonqualified stock options, entitling holders to purchase CNB common stock outstanding, were cancelled on the closing date and such option holders received an option payment subject to the terms of the Merger Agreement. The total number of CNB nonqualified stock options that were canceled was 103,545, which resulted in a cash payment to option holders before any applicable federal or state withholding tax, of approximately \$1.3 million. In accordance with the terms of the Merger Agreement, all outstanding CNB incentive stock options as of the effective date were assumed by the Company. At that time, there were 144,686 CNB incentive stock options that were exchanged for 237,278 replacement incentive stock options of the Company.

Based on the \$22.42 per share closing price of the Company’s common stock on February 10, 2006, the transaction is valued at approximately \$88 million.

COMPETITION

The banking and financial services industry in New York and Pennsylvania generally, and in the Company’s market areas specifically, is highly competitive. The increasingly competitive environment is primarily a result of changes in regulation, changes in technology and product delivery systems, additional financial service providers, and the accelerating pace of consolidation among financial services providers. The Company competes for loans and leases, deposits, and customers with other commercial banks, savings and loan associations, securities and brokerage companies, mortgage companies, insurance companies, finance companies, money market funds, credit unions, and other nonbank financial service providers. Many of these competitors are much larger in total assets and capitalization, have greater access to capital markets and offer a broader range of financial services than the Company. In order to compete with other financial services providers, the Company stresses the community nature of its banking operations and principally relies upon local promotional activities, personal relationships established by officers, directors, and employees with their customers, and specialized services tailored to meet the needs of the communities served.

SUPERVISION AND REGULATION

As a bank holding company, the Company is subject to extensive regulation, supervision, and examination by the Board of Governors of the Federal Reserve System (“FRS”) as its primary federal regulator. The Company also has elected to be registered with the FRS as a financial holding company. The Bank, as a nationally chartered bank, is subject to extensive regulation, supervision and examination by the Office of the Comptroller of the Currency (“OCC”) as its primary federal regulator and, as to certain matters, by the FRS and the Federal Deposit Insurance Corporation (“FDIC”).

The Company is subject to capital adequacy guidelines of the FRS. The guidelines apply on a consolidated basis and require bank holding companies to maintain a minimum ratio of Tier 1 capital to total average assets (or “leverage ratio”) of 4%. For the most highly rated bank holding companies, the minimum ratio is 3%. The FRS capital adequacy guidelines also require bank holding companies to maintain a minimum ratio of Tier 1 capital to risk-weighted assets of 4% and a minimum ratio of qualifying total capital to risk-weighted assets of 8%. As of December 31, 2005, the Company’s leverage ratio was 7.16%, its ratio of Tier 1 capital to risk-weighted assets was 9.80%, and its ratio of qualifying total capital to risk-weighted assets was 11.05%. The FRS may set higher minimum capital requirements for bank holding companies whose circumstances warrant it, such as companies anticipating significant growth or facing unusual risks. The FRS has not advised the Company of any special capital requirement applicable to it.

Any holding company whose capital does not meet the minimum capital adequacy guidelines is considered to be undercapitalized and is required to submit an acceptable plan to the FRS for achieving capital adequacy. Such a company’s ability to pay dividends to its shareholders and expand its lines of business through the acquisition of new banking or nonbanking subsidiaries also could be restricted.

The Bank is subject to leverage and risk-based capital requirements and minimum capital guidelines of the OCC that are similar to those applicable to the Company. As of December 31, 2005, the Bank was in compliance with all minimum capital requirements. The Bank’s leverage ratio was 6.89%, its ratio of Tier 1 capital to risk-weighted assets was 9.40%, and its ratio of qualifying total capital to risk-weighted assets was 10.65%.

Under FDIC regulations, no FDIC-insured bank can accept brokered deposits unless it is well capitalized, or is adequately capitalized and receives a waiver from the FDIC. In addition, these regulations prohibit any bank that is not well capitalized from paying an interest rate on brokered deposits in excess of three-quarters of one percentage point over certain prevailing market rates. As of December 31, 2005, the Bank’s total brokered deposits were \$209.3 million.

The Bank also is subject to substantial regulatory restrictions on its ability to pay dividends to the Company. Under OCC regulations, the Bank may not pay a dividend, without prior OCC approval, if the total amount of all dividends declared during the calendar year, including the proposed dividend, exceed the sum of its retained net income to date during the calendar year and its retained net income over the preceding two years. As of December 31, 2005, approximately \$58.5 million was available for the payment of dividends without prior OCC approval. The Bank’s ability to pay dividends also is subject to the Bank being in compliance with regulatory capital requirements. As indicated above, the Bank is currently in compliance with these requirements.

The OCC generally prohibits a depository institution from making any capital distributions (including payment of a dividend) or paying any management fee to its parent holding company if the depository institution would thereafter be undercapitalized. Undercapitalized institutions are subject to growth limitations and are required to submit a capital restoration plan. If a depository institution fails to submit an acceptable capital restoration plan, it is treated as if it is “significantly undercapitalized.” Significantly undercapitalized depository institutions may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become “adequately capitalized,” requirements to reduce total assets, and cessation of receipt of deposits from correspondent banks. “Critically undercapitalized” institutions are subject to the appointment of a receiver or conservator.

The deposits of the Bank are insured up to regulatory limits by the FDIC and, accordingly, are subject to deposit insurance assessments to maintain the insurance funds administered by the FDIC. The deposits of the Bank historically have been subject to deposit insurance assessments to maintain the Bank Insurance Fund (“BIF”). Due to certain branch deposit acquisitions by the Bank and its predecessors, some of the deposits of the Bank are subject to deposit insurance assessments to maintain the Savings Association Insurance Fund (“SAIF”).

The FDIC has adopted regulations establishing a risk-related deposit insurance assessment system. Under this system, the FDIC has placed each insured bank in one of nine risk categories based on the bank’s capitalization and supervisory evaluations provided to the FDIC by the institution’s primary federal regulator. Each insured bank’s insurance assessment rate has been determined by the risk category in which it is classified by the FDIC.

In light of the favorable financial situation of the federal deposit insurance funds and the low number of depository institution failures, since January 1, 1997, the annual insurance premiums on bank deposits insured by the BIF or the SAIF have varied between \$0.00 per \$100 of deposits for banks classified in the highest capital and supervisory evaluation categories to \$0.27 per \$100 of deposits for banks classified in the lowest capital and supervisory evaluation categories. BIF and SAIF assessment rates have been subject to semi-annual adjustment by the FDIC within a range of up to five basis points without public comment. The FDIC also has possessed authority to impose special assessments from time to time.

The Federal Deposit Insurance Reform Act of 2005, was signed into law on February 8, 2006, and gives the FDIC increased flexibility in assessing premiums on banks and savings associations, including the Bank, to pay for deposit insurance and in managing its deposit insurance reserves. The reform legislation provides a credit to all insured institutions, based on the amount of their insured deposits at year-end 1996, to offset the premiums that they may be assessed; combines the BIF and SAIF to form a single Deposit Insurance Fund; increases deposit insurance to \$250,000 for Individual Retirement Accounts; and authorizes inflation-based increases in deposit insurance on other accounts every 5 years, beginning in 2011. The FDIC also is directed to conduct studies regarding further deposit insurance reform.

The Federal Deposit Insurance Act provides for additional assessments to be imposed on insured depository institutions to pay for the cost of Financing Corporation (“FICO”) funding. The FICO assessments are adjusted quarterly to reflect changes in the assessment bases of the FDIC insurance funds and do not vary depending upon a depository institution’s capitalization or supervisory evaluation. During 2005, FDIC-insured banks paid an average rate of approximately \$0.017 per \$100 for purposes of funding FICO bond obligations.

Transactions between the Bank and any of its affiliates, including the Company, are governed by sections 23A and 23B of the Federal Reserve Act and FRS regulations thereunder. An “affiliate” of a bank is any company or entity that controls, is controlled by, or is under common control with the bank. A subsidiary of a bank that is not also a depository institution is not treated as an affiliate of the bank for purposes of sections 23A and 23B, unless the subsidiary is also controlled through a non-bank chain of ownership by affiliates or controlling shareholders of the bank or the subsidiary engages in activities that are not permissible for a bank to engage in directly (except insurance agency subsidiaries). Generally, sections 23A and 23B are intended to protect insured depository institutions from suffering losses arising from transactions with non-insured affiliates, by limiting the extent to which a bank or its subsidiaries may engage in covered transactions with any one affiliate and with all affiliates of the bank in the aggregate, and requiring that such transactions be on terms that are consistent with safe and sound banking practices. Sections 23A and 23B also regulate transactions by a bank with its financial subsidiaries that it may operate as a result of the expanded authority granted to national banks under the Gramm-Leach-Bliley Act (“GLB Act”).

Under the GLB Act, a qualifying bank holding company, known as a financial holding company, may engage in certain financial activities that a bank holding company may not otherwise engage in under the Bank Holding Company Act (“BHC Act”). In addition to engaging in banking and activities closely related to banking as determined by the FRS by regulation or order prior to November 11, 1999, a financial holding company may engage in activities that are financial in nature or incidental to financial activities, or activities that are complementary to a financial activity and do not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally.

The GLB Act requires all financial institutions, including the Company and the Bank, to adopt privacy policies, restrict the sharing of nonpublic customer data with nonaffiliated parties at the customer’s request, and establish procedures and practices to protect customer data from unauthorized access. In addition, the Fair and Accurate Credit Transactions Act of 2003 (“FACT Act”) includes many provisions concerning national credit reporting standards, and permits consumers, including customers of the Company, to opt out of information sharing among affiliated companies for marketing purposes. The FACT Act also requires banks and other financial institutions to notify their customers if they report negative information about them to a credit bureau or if they are granted credit on terms less favorable than those generally available. The Company has developed policies and procedures for itself and its subsidiaries, including the Bank, and believes it is in compliance with all privacy, information sharing, and notification provisions of the GLB Act and the FACT Act.

Under Title III of the USA PATRIOT Act, also known as the International Money Laundering Abatement and Anti-Terrorism Financing Act of 2001, all financial institutions, including the Company and the Bank, are required in general to identify their customers, adopt formal and comprehensive anti-money laundering programs, scrutinize or prohibit altogether certain transactions of special concern, and be prepared to respond to inquiries from U.S. law enforcement agencies concerning their customers and their transactions. The USA PATRIOT Act also encourages information-sharing among financial institutions, regulators, and law enforcement authorities by providing an exemption from the privacy provisions of the GLB Act for financial institutions that comply with this provision. The effectiveness of a financial institution in combating money laundering activities is a factor to be considered in any application submitted by the financial institution under the Bank Merger Act, which applies to the Bank, or the BHC Act, which applies to the Company. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing, or to comply with all of the relevant laws or regulations, could have serious legal, financial and reputational consequences for the institution. As of December 31, 2005, the Company and the Bank believe they are in compliance with the USA PATRIOT Act and regulations thereunder.

The Sarbanes-Oxley Act of 2002 implemented a broad range of measures to increase corporate responsibility, enhance penalties for accounting and auditing improprieties at publicly traded companies, and protect investors by improving the accuracy and reliability of corporate disclosures for companies that have securities registered under the Exchange Act, including publicly-held bank holding companies such as the Company. It includes very specific additional disclosure requirements and new corporate governance rules, requires the SEC and securities exchanges to adopt extensive additional disclosure, corporate governance and other related rules, and mandates further studies of certain issues by the SEC and the Comptroller General. The Act represents significant federal involvement in matters traditionally left to state regulatory systems, such as the regulation of the accounting profession, and to state corporate law, such as the relationship between a board of directors and management and between a board of directors and its committees. In addition, the federal banking regulators have adopted generally similar requirements concerning the certification of financial statements by bank officials.

Beginning in March 2005, home mortgage lenders, including banks, were required under the Home Mortgage Disclosure Act to make available to the public expanded information regarding the pricing of home mortgage loans, including the “rate spread” between the interest rate on loans and certain Treasury securities and other benchmarks. The availability of this information has led to increased scrutiny of higher-priced loans at all financial institutions to detect illegal discriminatory practices and to the initiation of a limited number of investigations by federal banking agencies and the U.S. Department of Justice. The Company has no information that it or its affiliates is the subject of any investigation.

The Bankruptcy Abuse Prevention and Consumer Protection Act amended the U.S. Bankruptcy Code, effective October 17, 2005. Under the new law, the ability of consumers to discharge their debts in bankruptcy is limited by a needs-based test, and more debtors than in the past are expected to enter into repayment programs with their creditors. The law also provides for pre-bankruptcy credit counseling, limits certain homestead exemptions, limits the discharge of debt incurred for the purchase of certain luxury items, and extends from 6 years to 8 years the minimum time between successive bankruptcy discharges.

Periodic disclosures by companies in various industries of the loss or theft of computer-based nonpublic customer information has led to the introduction in Congress of several bills to establish national standards for the safeguarding of such information and the disclosure of security breaches. Several committees of both houses of Congress have announced plans to conduct hearings on data security and related issues.

EMPLOYEES

At December 31, 2005, the Company had 1,184 full-time equivalent employees. The Company’s employees are not presently represented by any collective bargaining group. The Company considers its employee relations to be good.

AVAILABLE INFORMATION

The Company’s website is <http://www.nbtbancorp.com>. The Company makes available free of charge through its website, its annual reports on Form 10-K; quarterly reports on Form 10-Q; current reports on Form 8-K; and any amendments to those reports led or furnished pursuant to the Securities Exchange Act of 1934 as soon as reasonably practicable after such material is electronically filed with, or furnished to the SEC. The reference to our website does not constitute incorporation by reference of the information contained in the website and should not be considered part of this document.

ITEM 1A. RISK FACTORS

There are risks inherent to the Company’s business. The material risks and uncertainties that management believes affect the Company are described below. The risks and uncertainties described below are not the only ones facing the Company. Additional risks and uncertainties that management is not aware of or focused on or that management currently deems immaterial may also impair the Company’s business operations. This report is qualified in its entirety by these risk factors. If any of the following risks actually occur, the Company’s financial condition and results of operations could be materially and adversely affected.

The Company is Subject to Interest Rate Risk

The Company’s earnings and cash flows are largely dependent upon its net interest income. Net interest income is the difference between interest income earned on interest-earning assets such as loans and securities and interest expense paid on interest-bearing liabilities such as deposits and borrowed funds. Interest rates are highly sensitive to many factors that are beyond the Company’s control, including general economic conditions and policies of various governmental and regulatory agencies and, in particular, the Board of Governors of the Federal Reserve System. Changes in monetary policy, including changes in interest rates, could influence not only the interest the Company receives on loans and securities and the amount of interest it pays on deposits and borrowings, but such changes could also affect (i) the Company’s ability to originate loans and obtain deposits, (ii) the fair value of the Company’s financial assets and liabilities, and (iii) the average duration of the Company’s mortgage-backed securities portfolio. If the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and other investments, the Company’s net interest income, and therefore earnings, could be adversely affected. Earnings could also be adversely affected if the interest rates received on loans and other investments fall more quickly than the interest rates paid on deposits and other borrowings.

Although management believes it has implemented effective asset and liability management strategies to reduce the potential effects of changes in interest rates on the Company's results of operations, any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on the Company's financial condition and results of operations. See the section captioned "Net Interest Income" in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and the section captioned "Impact of Inflation and Changing Prices" in Item 7A. Quantitative and Qualitative Disclosure About Market Risk located elsewhere in this report for further discussion related to the Company's management of interest rate risk.

The Company is Subject to Lending Risk

There are inherent risks associated with the Company's lending activities. These risks include, among other things, the impact of changes in interest rates and changes in the economic conditions in the markets where the Company operates as well as those across the States of New York and Pennsylvania, as well as the entire United States. Increases in interest rates and/or weakening economic conditions could adversely impact the ability of borrowers to repay outstanding loans or the value of the collateral securing these loans. The Company is also subject to various laws and regulations that affect its lending activities. Failure to comply with applicable laws and regulations could subject the Company to regulatory enforcement action that could result in the assessment of significant civil money penalties against the Company.

As of December 31, 2005, approximately 43% of the Company's loan and lease portfolio consisted of commercial, construction and commercial real estate loans. These types of loans are generally viewed as having more risk of default than residential real estate loans or consumer loans. These types of loans are also typically larger than residential real estate loans and consumer loans. Because the Company's loan portfolio contains a significant number of commercial and industrial, construction and commercial real estate loans with relatively large balances, the deterioration of one or a few of these loans could cause a significant increase in non-performing loans. An increase in nonperforming loans could result in a net loss of earnings from these loans, an increase in the provision for loan losses and an increase in loan charge-offs, all of which could have a material adverse effect on the Company's financial condition and results of operations. See the section captioned "Loans and Leases and Corresponding Interest and Fees on Loans" in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations located elsewhere in this report for further discussion related to commercial and industrial, construction and commercial real estate loans.

The Company's Allowance For Loan and Lease Losses May Be Insufficient

The Company maintains an allowance for loan and lease losses, which is an allowance established through a provision for loan and lease losses charged to expense, that represents management's best estimate of probable losses that have been incurred within the existing portfolio of loans and leases. The allowance, in the judgment of management, is necessary to reserve for estimated loan and lease losses and risks inherent in the loan and lease portfolio. The level of the allowance reflects management's continuing evaluation of industry concentrations; specific credit risks; loan loss experience; current loan and lease portfolio quality; present economic, political and regulatory conditions and unidentified losses inherent in the current loan portfolio. The determination of the appropriate level of the allowance for loan and lease losses inherently involves a high degree of subjectivity and requires the Company to make significant estimates of current credit risks and future trends, all of which may undergo material changes. Changes in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of the Company's control, may require an increase in the allowance for loan losses. In addition, bank regulatory agencies periodically review the Company's allowance for loan losses and may require an increase in the provision for loan losses or the recognition of further loan charge-offs, based on judgments different than those of management. In addition, if charge-offs in future periods exceed the allowance for loan and lease losses, the Company will need additional provisions to increase the allowance for loan and lease losses. These increases in the allowance for loan and lease losses will result in a decrease in net income and, possibly, capital, and may have a material adverse effect on the Company's financial condition and results of operations. See the section captioned "Risk Management - Credit Risk" in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations located elsewhere in this report for further discussion related to the Company's process for determining the appropriate level of the allowance for loan and losses.

The Company's Profitability Depends Significantly on Economic Conditions in Upstate New York and Northeastern Pennsylvania

The Company's success depends primarily on the general economic conditions of upstate New York and northeastern Pennsylvania and the specific local markets in which the Company operates. Unlike larger national or other regional banks that are more geographically diversified, the Company provides banking and financial services to customers primarily in the upstate New York areas of Norwich, Oneonta, Amsterdam-Gloversville, Albany, Binghamton, Utica-Rome, Plattsburg, and Ogdensburg-Massena and northeastern Pennsylvania areas of Scranton, Wilkes-Barre and East Stroudsburg. The local economic conditions in these areas have a significant impact on the demand for the Company's products and services as well as the ability of the Company's customers to repay loans, the value of the collateral securing loans and the stability of the Company's deposit funding sources. A significant decline in general economic conditions, caused by inflation, recession, acts of terrorism, outbreak of hostilities or other international or domestic occurrences, unemployment, changes in securities markets or other factors could impact these local economic conditions and, in turn, have a material adverse effect on the Company's financial condition and results of operations.

The Company Operates In A Highly Competitive Industry and Market Area

The Company faces substantial competition in all areas of its operations from a variety of different competitors, many of which are larger and may have more financial resources. Such competitors primarily include national, regional, and community banks within the various markets the Company operates. Additionally, various out-of-state banks continue to enter or have announced plans to enter the market areas in which the Company currently operates. The Company also faces competition from many other types of financial institutions, including, without limitation, savings and loans, credit unions, finance companies, brokerage firms, insurance companies, factoring companies and other financial intermediaries. The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. Banks, securities firms and insurance companies can merge under the umbrella of a financial holding company, which can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting) and merchant banking. Also, technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. Many of the Company's competitors have fewer regulatory constraints and may have lower cost structures. Additionally, due to their size, many competitors may be able to achieve economies of scale and, as a result, may offer a broader range of products and services as well as better pricing for those products and services than the Company can. The Company's ability to compete successfully depends on a number of factors, including, among other things:

- The ability to develop, maintain and build upon long-term customer relationships based on top quality service, high ethical standards and safe, sound assets.
- The ability to expand the Company's market position.
- The scope, relevance and pricing of products and services offered to meet customer needs and demands.
- The rate at which the Company introduces new products and services relative to its competitors.
- Customer satisfaction with the Company's level of service.
- Industry and general economic trends.

Failure to perform in any of these areas could significantly weaken the Company's competitive position, which could adversely affect the Company's growth and profitability, which, in turn, could have a material adverse effect on the Company's financial condition and results of operations.

The Company Is Subject To Extensive Government Regulation and Supervision

The Company, primarily through NBT Bank and certain non-bank subsidiaries, is subject to extensive federal regulation and supervision. Banking regulations are primarily intended to protect depositors' funds, federal deposit insurance funds and the banking system as a whole, not shareholders. These regulations affect the Company's lending practices, capital structure, investment practices, dividend policy and growth, among other things. Congress and federal regulatory agencies continually review banking laws, regulations and policies for possible changes. Changes to statutes, regulations or regulatory policies, including changes in interpretation or implementation of statutes, regulations or policies, could affect the Company in substantial and unpredictable ways. Such changes could subject the Company to additional costs, limit the types of financial services and products the Company may offer and/or increase the ability of non-banks to offer competing financial services and products, among other things. Failure to comply with laws, regulations or policies could result in sanctions by regulatory agencies, civil money penalties and/or reputation damage, which could have a material adverse effect on the Company's business, financial condition and results of operations. While the Company has policies and procedures designed to prevent any such violations, there can be no assurance that such violations will not occur. See the section captioned "Supervision and Regulation" in Item 1., which is located elsewhere in this report.

The Company's Controls and Procedures May Fail or Be Circumvented

Management regularly reviews and updates the Company's internal controls, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of the Company's controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on the Company's business, results of operations and financial condition.

New Lines of Business or New Products and Services May Subject The Company to Additional Risks

From time to time, the Company may implement new lines of business or offer new products and services within existing lines of business. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In developing and marketing new lines of business and/or new products and services the Company may invest significant time and resources. Initial timetables for the introduction and development of new lines of business and/or new products or services may not be achieved and price and profitability targets may not prove feasible. External factors, such as compliance with regulations, competitive alternatives, and shifting market preferences, may also impact the successful implementation of a new line of business or a new product or service. Furthermore, any new line of business and/or new product or service could have a significant impact on the effectiveness of the Company's system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business or new products or services could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company Relies on Dividends From Its Subsidiaries For Most Of Its Revenue

The Company is a separate and distinct legal entity from its subsidiaries. It receives substantially all of its revenue from dividends from its subsidiaries. These dividends are the principal source of funds to pay dividends on the Company's common stock and interest and principal on the Company's debt. Various federal and/or state laws and regulations limit the amount of dividends that NBT Bank may pay to the Company. Also, the Company's right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors. In the event NBT Bank is unable to pay dividends to the Company, the Company may not be able to service debt, pay obligations or pay dividends on the Company's common stock.

The inability to receive dividends from NBT Bank could have a material adverse effect on the Company's business, financial condition and results of operations. See the section captioned "Supervision and Regulation" in Item 1. Business and Note 14 — Stockholders' Equity in the notes to consolidated financial statements included in Item 8. Financial Statements and Supplementary Data, which are located elsewhere in this report.

The Company May Not Be Able To Attract and Retain Skilled People

The Company's success depends, in large part, on its ability to attract and retain key people. Competition for the best people in most activities engaged in by the Company can be intense and the Company may not be able to hire people or to retain them. The unexpected loss of services of one or more of the Company's key personnel could have a material adverse impact on the Company's business because of their skills, knowledge of the Company's market, years of industry experience and the difficulty of promptly finding qualified replacement personnel.

The Company's Information Systems May Experience An Interruption Or Breach In Security

The Company relies heavily on communications and information systems to conduct its business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in the Company's customer relationship management, general ledger, deposit, loan and other systems. While the Company has policies and procedures designed to prevent or limit the effect of the failure, interruption or security breach of its information systems, there can be no assurance that any such failures, interruptions or security breaches will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failures, interruptions or security breaches of the Company's information systems could damage the Company's reputation, result in a loss of customer business, subject the Company to additional regulatory scrutiny, or expose the Company to civil litigation and possible financial liability, any of which could have a material adverse effect on the Company's financial condition and results of operations.

The Company Continually Encounters Technological Change

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. The Company's future success depends, in part, upon its ability to address the needs of its customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in the Company's operations. Many of the Company's competitors have substantially greater resources to invest in technological improvements. The Company may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to its customers. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse impact on the Company's business and, in turn, the Company's financial condition and results of operations.

Severe Weather, Natural Disasters, Acts Of War Or Terrorism and Other External Events Could Significantly Impact The Company's Business

Severe weather, natural disasters, acts of war or terrorism and other adverse external events could have a significant impact on the Company's ability to conduct business. Such events could affect the stability of the Company's deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in loss of revenue and/or cause the Company to incur additional expenses. Although management has established disaster recovery policies and procedures, the occurrence of any such event could have a material adverse effect on the Company's business, which, in turn, could have a material adverse effect on the Company's financial condition and results of operations.

The Company's Articles Of Incorporation, By-Laws and Stockholder Rights Plan As Well As Certain Banking Laws May Have An Anti-Takeover Effect

Provisions of the Company's articles of incorporation and by-laws, federal banking laws, including regulatory approval requirements, and the Company's stock purchase rights plan could make it more difficult for a third party to acquire the Company, even if doing so would be perceived to be beneficial to the Company's stockholders. The combination of these provisions effectively inhibits a non-negotiated merger or other business combination, which, in turn, could adversely affect the market price of the Company's common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company's headquarters are located at 52 South Broad Street, Norwich, New York 13815. The Company operated the following number of community banking branches and automated teller machines (ATMs) as of December 31, 2005:

County	Branches	ATMs
NBT Bank Division		
<i>New York</i>		
Albany County	3	3
Broome County	7	12
Chenango County	11	12
Clinton County	3	2
Delaware County	5	11
Essex County	3	6
Franklin County	1	1
Fulton County	4	5
Greene County	—	2
Herkimer County	2	1
Montgomery County	6	4
Oneida County	6	11
Otsego County	9	16
Saratoga County	3	3
Schenectady County	1	1
Schoharie County	4	2
St. Lawrence County	5	5
Sullivan County	—	1
Tioga County	1	1
Ulster County	—	1

County	Branches	ATMs
Pennstar Bank Division		
<i>New York</i>		
Orange County	1	1
<i>Pennsylvania</i>		
Lackawanna County	18	24
Luzerne County	4	8
Monroe County	4	5
Pike County	3	4
Susquehanna County	6	8
Wayne County	3	4

The Company leases fifty one of the above listed branches from third parties under terms and conditions considered by management to be equitable to the Company. The Company owns all other banking premises. All automated teller machines are owned.

ITEM 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the Company or any of its subsidiaries is a party or of which their property is the subject.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II**ITEM 5. MARKET FOR REGISTRANT’S COMMON STOCK AND RELATED STOCKHOLDER MATTERS, AND ISSUER REPURCHASES OF EQUITY SECURITIES**

The common stock of NBT Bancorp Inc. (“Common Stock”) is quoted on the Nasdaq Stock Market National Market Tier under the symbol “NBTB.” The following table sets forth the market prices and dividends declared for the Common Stock for the periods indicated:

	High	Low	Dividend
2004			
1st quarter	\$23.00	\$21.21	\$0.17
2nd quarter	23.18	19.92	0.19
3rd quarter	24.34	21.02	0.19
4th quarter	26.84	21.94	0.19
2005			
1st quarter	\$23.79	\$20.75	\$0.19
2nd quarter	25.50	22.79	0.19
3rd quarter	24.15	20.10	0.19
4th quarter	25.66	21.48	0.19

The closing price of the Common Stock on February 28, 2006 was \$22.88.

As of February 28, 2006, there were 7,471 shareholders of record of Company common stock.

Dividends

We depend primarily upon dividends from our subsidiaries for a substantial part of our revenue. Accordingly, our ability to pay dividends depends primarily upon the receipt of dividends or other capital distributions from our subsidiaries. Payment of dividends to the Company from the Bank is subject to certain regulatory and other restrictions. Under OCC regulations, the Bank may pay dividends to the Company without prior regulatory approval so long as it meets its applicable regulatory capital requirements before and after payment of such dividends and its total dividends do not exceed its net income to date over the calendar year plus retained net income over the preceding two years. At December 31, 2005, the Bank was in compliance with all applicable minimum capital requirements and had the ability to pay dividends of \$58.5 million to the Company without the prior approval of the OCC.

If the capital of the Company is diminished by depreciation in the value of its property or by losses, or otherwise, to an amount less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets, no dividends may be paid out of net profits until the deficiency in the amount of capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets has been repaired. See the section captioned “Supervision and Regulation” in Item 1 and Note 14 - Stockholders Equity in the notes to consolidated financial statements is included in Item 8. Financial Statements and Supplementary Data, which are located elsewhere in this report.

ITEM 6. SELECTED FINANCIAL DATA

The following summary of financial and other information about the Company is derived from the Company's audited consolidated financial statements for each of the five fiscal years ended December 31, 2005 and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's consolidated financial statements and accompanying notes, included elsewhere in this report:

	Year ended December 31,				
	2005	2004	2003	2002	2001
<i>(In thousands, except per share data)</i>					
Interest, fee and dividend income	\$ 236,367	\$ 210,179	\$ 207,298	\$ 227,222	\$ 255,434
Interest expense	78,256	59,692	62,874	80,402	117,502
Net interest income	158,111	150,487	144,424	146,820	137,932
Provision for loan and lease losses	9,464	9,615	9,111	9,073	31,929
Noninterest income excluding securities (losses) gains	43,785	40,673	37,603	31,934	31,826
Securities (losses) gains, net	(1,236)	216	175	(413)	(7,692)
Merger, acquisition and reorganization costs	-	-	-	-	15,322
Other noninterest expense	115,305	109,777	104,517	102,455	110,536
Income before income taxes	75,891	71,984	68,574	66,813	4,279
Net income	52,438	50,047	47,104	44,999	3,737
Per common share					
Basic earnings	\$ 1.62	\$ 1.53	\$ 1.45	\$ 1.36	\$ 0.11
Diluted earnings	1.60	1.51	1.43	1.35	0.11
Cash dividends paid	0.76	0.74	0.68	0.68	0.68
Book value at year-end	10.34	10.11	9.46	8.96	8.05
Tangible book value at year-end	8.75	8.66	7.94	7.47	6.51
Average diluted common shares outstanding	32,710	33,087	32,844	33,235	33,085
At December 31,					
Securities available for sale, at fair value	\$ 954,474	\$ 952,542	\$ 980,961	\$ 1,007,583	\$ 909,341
Securities held to maturity, at amortized cost	93,709	81,782	97,204	82,514	101,604
Loans and leases	3,022,657	2,869,921	2,639,976	2,355,932	2,339,636
Allowance for loan and lease losses	47,455	44,932	42,651	40,167	44,746
Assets	4,426,773	4,212,304	4,046,885	3,723,726	3,638,202
Deposits	3,160,196	3,073,838	3,001,351	2,922,040	2,915,612
Borrowings	883,182	752,066	672,631	451,076	394,344
Stockholders' equity	333,943	332,233	310,034	292,382	266,355
Key ratios					
Return on average assets	1.21%	1.21%	1.22%	1.23%	0.10%
Return on average equity	15.86	15.69	15.90	16.13	1.32
Average equity to average assets	7.64	7.74	7.69	7.64	7.82
Net interest margin	4.01	4.03	4.16	4.43	4.19
Dividend payout ratio	47.50	49.01	47.55	50.37	618.18
Tier 1 leverage	7.16	7.13	6.76	6.73	6.34
Tier 1 risk-based capital	9.80	9.78	9.96	9.93	9.43
Total risk-based capital	11.05	11.04	11.21	11.18	10.69

Selected Quarterly Financial Data

(Dollars in thousands, except per share data)	2005				2004			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Interest, fee and dividend income	\$ 55,461	\$ 57,866	\$ 60,282	\$ 62,758	\$ 51,727	\$ 50,938	\$ 53,093	\$ 54,421
Interest expense	16,647	18,542	20,331	22,736	14,633	14,258	15,041	15,760
Net interest income	38,814	39,324	39,951	40,022	37,094	36,680	38,052	38,661
Provision for loan and lease losses	1,796	2,320	2,752	2,596	2,124	2,428	2,313	2,750
Noninterest income excluding net securities (losses) gains	10,715	11,004	11,088	10,978	10,434	9,960	10,099	10,180
Net securities (losses) gains	(4)	51	(737)	(546)	9	29	18	160
Noninterest expense	28,881	28,696	28,579	29,149	27,202	25,863	27,305	29,407
Net income	\$ 12,789	\$ 13,128	\$ 13,526	\$ 12,995	\$ 12,371	\$ 12,568	\$ 12,617	\$ 12,491
Basic earnings per share	\$ 0.39	\$ 0.41	\$ 0.42	\$ 0.40	\$ 0.38	\$ 0.38	\$ 0.38	\$ 0.38
Diluted earnings per share	\$ 0.39	\$ 0.40	\$ 0.41	\$ 0.40	\$ 0.37	\$ 0.38	\$ 0.38	\$ 0.38
Net interest margin	4.09%	4.02%	3.99%	3.97%	4.10%	3.99%	3.99%	4.03%
Return on average assets	1.23%	1.22%	1.23%	1.17%	1.23%	1.24%	1.20%	1.18%
Return on average equity	15.74%	16.21%	16.06%	15.47%	15.73%	16.05%	15.94%	15.08%
Average diluted common shares outstanding	32,977	32,584	32,729	32,556	33,174	33,084	32,936	33,155

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
GENERAL

The financial review which follows focuses on the factors affecting the consolidated financial condition and results of operations of NBT Bancorp Inc. (the “Registrant”) and its wholly owned subsidiaries, NBT Bank, N.A. (“the Bank”) and NBT Financial Services, Inc. (“NBT Financial”), during 2005 and, in summary form, the preceding two years. Collectively, the Registrant and its subsidiaries are referred to herein as “the Company.” Net interest margin is presented in this discussion on a fully taxable equivalent (FTE) basis. Average balances discussed are daily averages unless otherwise described. The audited consolidated financial statements and related notes as of December 31, 2005 and 2004 and for each of the years in the three-year period ended December 31, 2005 should be read in conjunction with this review. Amounts in prior period consolidated financial statements are reclassified whenever necessary to conform to the 2005 presentation.

The preparation of the consolidated financial statements requires management to make estimates and assumptions, in the application of certain accounting policies, about the effect of matters that are inherently uncertain. Those estimates and assumptions affect the reported amounts of certain assets, liabilities, revenues and expenses. Different amounts could be reported under different conditions, or if different assumptions were used in the application of these accounting policies.

The business of the Company is providing commercial banking and financial services through its subsidiaries. The Company’s primary market area is central and upstate New York and northeastern Pennsylvania. The Company has been, and intends to continue to be, a community-oriented financial institution offering a variety of financial services. The Company’s principal business is attracting deposits from customers within its market area and investing those funds primarily in loans and leases, and, to a lesser extent, in marketable securities. The financial condition and operating results of the Company are dependent on its net interest income which is the difference between the interest and dividend income earned on its earning assets and the interest expense paid on its interest bearing liabilities, primarily consisting of deposits and borrowings. Net income is also affected by provisions for loan and lease losses and noninterest income, such as service charges on deposit accounts, broker/dealer fees, trust fees, and gains/losses on securities sales; it is also impacted by noninterest expense, such as salaries and employee benefits, data processing, communications, occupancy, and equipment.

The Company's results of operations are significantly affected by general economic and competitive conditions (particularly changes in market interest rates), government policies, changes in accounting standards, and actions of regulatory agencies. Future changes in applicable laws, regulations, or government policies may have a material impact on the Company. Lending activities are substantially influenced by the demand for and supply of housing, competition among lenders, the level of interest rates, the state of the local and regional economy, and the availability of funds. The ability to gather deposits and the cost of funds are influenced by prevailing market interest rates, fees and terms on deposit products, as well as the availability of alternative investments including mutual funds and stocks.

CRITICAL ACCOUNTING POLICIES

The Company has identified several policies as being critical because they require management to make particularly difficult, subjective and/or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts would be reported under different conditions or using different assumptions. These policies relate to the allowance for loan losses and pension accounting.

Management of the Company considers the accounting policy relating to the allowance for loan and lease losses to be a critical accounting policy given the uncertainty in evaluating the level of the allowance required to cover credit losses inherent in the loan and lease portfolio and the material effect that such judgments can have on the results of operations. While management's current evaluation of the allowance for loan and lease losses indicates that the allowance is adequate, under adversely different conditions or assumptions, the allowance would need to be increased. For example, if historical loan and lease loss experience significantly worsened or if current economic conditions significantly deteriorated, additional provisions for loan and lease losses would be required to increase the allowance. In addition, the assumptions and estimates used in the internal reviews of the Company's nonperforming loans and potential problem loans has a significant impact on the overall analysis of the adequacy of the allowance for loan and lease losses. While management has concluded that the current evaluation of collateral values is reasonable under the circumstances, if collateral values were significantly lowered, the Company's allowance for loan and lease policy would also require additional provisions for loan and lease losses.

Management is required to make various assumptions in valuing its pension assets and liabilities. These assumptions include the expected rate of return on plan assets, the discount rate, and the rate of increase in future compensation levels. Changes to these assumptions could impact earnings in future periods. The Company takes into account the plan asset mix, funding obligations, and expert opinions in determining the various rates used to estimate pension expense. The Company also considers the Moody's AA corporate bond yields and other market interest rates in setting the appropriate discount rate. In addition, the Company reviews expected inflationary and merit increases to compensation in determining the rate of increase in future compensation levels.

The Company's policy on the allowance for loan and lease losses and pension accounting is disclosed in note 1 to the consolidated financial statements. A more detailed description of the allowance for loan and lease losses is included in the "Risk Management" section of this Form 10-K. All significant pension accounting assumptions and detail is disclosed in note 16 to the consolidated financial statements. All accounting policies are important, and as such, the Company encourages the reader to review each of the policies included in note 1 to obtain a better understanding on how the Company's financial performance is reported.

FORWARD LOOKING STATEMENTS

Certain statements in this filing and future filings by the Company with the Securities and Exchange Commission, in the Company's press releases or other public or shareholder communications, or in oral statements made with the approval of an authorized executive officer, contain forward-looking statements, as defined in the Private Securities Litigation Reform Act. These statements may be identified by the use of phrases such as "anticipate," "believe," "expect," "forecasts," "projects," "will," "can," "would," "should," "could," "may," or other similar terms. There are a number of factors, many of which are beyond the Company's control that could cause actual results to differ materially from those contemplated by the forward looking statements. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, among others, the following possibilities:

- Local, regional, national and international economic conditions and the impact they may have on the Company and its customers and the Company's assessment of that impact.
- Changes in the level of non-performing assets and charge-offs.
- Changes in estimates of future reserve requirements based upon the periodic review thereof under relevant regulatory and accounting requirements.
- The effects of and changes in trade and monetary and fiscal policies and laws, including the interest rate policies of the Federal Reserve Board.
- Inflation, interest rate, securities market and monetary fluctuations.
- Political instability.
- Acts of war or terrorism.
- The timely development and acceptance of new products and services and perceived overall value of these products and services by users.
- Changes in consumer spending, borrowings and savings habits.
- Changes in the financial performance and/or condition of the Company's borrowers.
- Technological changes.
- Acquisitions and integration of acquired businesses.
- The ability to increase market share and control expenses.
- Costs or difficulties related to the integration of the businesses of the Company and CNB may be greater than expected.
- Changes in the competitive environment among financial holding companies.

- The effect of changes in laws and regulations (including laws and regulations concerning taxes, banking, securities and insurance) with which the Company and its subsidiaries must comply.
- The effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Public Company Accounting Oversight Board, the Financial Accounting Standards Board and other accounting standard setters.
- Changes in the Company's organization, compensation and benefit plans.
- The costs and effects of legal and regulatory developments including 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 integration of new products and lines of business.
- The Company's success at managing the risks involved in the foregoing items.

The Company cautions readers not to place undue reliance on any forward-looking statements, which speak only as of the date made, and to advise readers that various factors, including but not limited to those described above, could affect the Company's financial performance and could cause the Company's actual results or circumstances for future periods to differ materially from those anticipated or projected.

Except as required by law, the Company does not undertake, and specifically disclaims any obligations to, publicly release any revisions that may be made to any forward-looking statements to reflect statements to the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

OVERVIEW

The Company had net income of \$52.4 million or \$1.60 per diluted share for 2005, compared to net income of \$50.0 million or \$1.51 per diluted share for 2004. Results were driven by several factors. Net interest income increased \$7.6 million or 5% in 2005 compared to 2004. The increase in net interest income resulted mainly from an increase in average earning assets of 5%, driven by an 8% increase in average loans and leases for the period. Noninterest income increased \$1.7 million or 4% compared to 2004. Included in noninterest income for 2005 was net securities losses totaling \$1.2 million compared to net securities gains of \$0.2 million in 2004. Excluding net security gains and losses, total noninterest income increased 8% in 2005 compared with 2004. This increase resulted from increases in retirement plan administration fees of \$4.4 million (from the Acquisition of EPIC in January 2005), other income, service charges on deposit accounts, ATM and debit card fees and trust revenue offset by a decline in broker/dealer and insurance revenue of \$3.6 million (from the sale of M. Griffith Inc. in March 2005). Offsetting the increases in net interest income and noninterest income was an increase in noninterest expense of \$5.5 million in 2005 compared to 2004. The increase in noninterest expense resulted mainly from increases in salaries and employee benefits, occupancy expense, equipment and other operating expense offset by a goodwill impairment charge in 2004 and a decrease in data processing and communications expense. The provision for loan and lease losses decreased slightly in 2005 compared to 2004, as credit quality was stable, net charge-offs as a percentage of total loans and leases decreased, and the Company experienced a decline in the rate of loan growth in 2005, which was 5% at December 31, 2005 compared to a growth rate of 9% for 2004.

The Company had net income of \$50.0 million or \$1.51 per diluted share for 2004, compared to net income of \$47.1 million or \$1.43 per diluted share for 2003. Results were driven by several factors. Net interest income increased \$6.1 million or 4% in 2004 compared to 2003. The increase in net interest income resulted mainly from an increase in average earning assets of 7%, driven by an 11% increase in average loans and leases for the period. Noninterest income increased \$3.1 million or 8% compared to 2003. This increase resulted from increases in other income, Bank Owned Life Insurance (BOLI) income, service charges on deposit accounts and trust revenue. Offsetting the increases in net interest income and noninterest income was an increase in noninterest expense of \$5.3 million in 2004 compared to 2003. The increase in noninterest expense resulted mainly from increases in salaries and employee benefits, occupancy expense, professional fees and outside services and a goodwill impairment charge offset by decreases in other operating expense and loan collection and other real estate owned expense. The provision for loan and lease losses increased slightly in 2004 compared to 2003, as credit quality was stable, net charge-offs as a percentage of total loans and leases remained unchanged, and loan growth was solid, increasing 9% at December 31, 2004 when compared to total loans and leases at December 31, 2003.

ASSET/LIABILITY MANAGEMENT

The Company attempts to maximize net interest income, and net income, while actively managing its liquidity and interest rate sensitivity through the mix of various core deposit products and other sources of funds, which in turn fund an appropriate mix of earning assets. The changes in the Company's asset mix and sources of funds, and the resultant impact on net interest income, on a fully tax equivalent basis, are discussed below.

The following table includes the condensed consolidated average balance sheet, an analysis of interest income/ expense and average yield/rate for each major category of earning assets and interest bearing liabilities on a taxable equivalent basis. Interest income for tax-exempt securities and loans and leases has been adjusted to a taxable-equivalent basis using the statutory Federal income tax rate of 35%.

Table 1. Average Balances and Net Interest Income

	2005			2004			2003		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
<i>(Dollars in thousands)</i>									
Assets									
Short-term interest bearing accounts	\$ 7,298	\$ 229	3.14%	\$ 7,583	\$ 222	2.93%	\$ 3,358	\$ 84	2.50%
Securities available for sale 1	954,461	43,113	4.52	970,024	44,633	4.60	984,620	46,313	4.70
Securities held to maturity 1	88,244	5,035	5.71	85,771	4,385	5.11	90,601	4,657	5.14
Investment in FRB and FHLB Banks	37,607	1,898	5.05	34,813	854	2.45	28,117	854	3.04
Loans and leases 2	2,959,256	190,331	6.43	2,743,753	164,285	5.99	2,474,899	159,827	6.46
Total earning assets	4,046,866	240,606	5.95	3,841,944	214,379	5.58	3,581,595	211,735	5.91
Other non-interest earning assets	279,289			278,603			270,928		
Total assets	\$ 4,326,155			\$ 4,120,547			\$ 3,852,523		
Liabilities and stockholders' equity									
Money market deposit accounts	\$ 399,056	7,312	1.83%	\$ 438,819	5,327	1.21%	\$ 359,722	4,332	1.20%
NOW deposit accounts	439,751	2,305	0.52	462,509	2,230	0.48	411,236	2,340	0.57
Savings deposits	559,584	3,985	0.71	574,386	3,846	0.67	523,571	4,542	0.87
Time deposits	1,217,442	36,330	2.98	1,079,670	28,358	2.63	1,188,497	34,727	2.92
Total interest-bearing deposits	2,615,833	49,932	1.91	2,555,384	39,761	1.56	2,483,026	45,941	1.85
Short-term borrowings	353,644	10,983	3.11	302,276	4,086	1.35	190,332	2,171	1.14
Trust preferred debentures	19,596	1,227	6.26	18,297	823	4.50	-	-	-
Long-term debt	410,891	16,114	3.92	381,756	15,022	3.93	360,928	14,762	4.09
Total interest-bearing liabilities	3,399,964	78,256	2.30	3,257,713	59,692	1.83	3,034,286	62,874	2.07
Demand deposits	543,077			492,746			457,238		
Other non-interest-bearing liabilities	52,438			51,187			64,723		
Stockholders' equity	330,676			318,901			296,276		
Total liabilities and stockholders' equity	\$ 4,326,155			\$ 4,120,547			\$ 3,852,523		
Interest rate spread			3.64%			3.75%			3.84%
Net interest income-FTE		162,350			154,687			148,861	
Net interest margin			4.01%			4.03%			4.16%
Taxable equivalent adjustment		4,239			4,200			4,437	
Net interest income		\$ 158,111			\$ 150,487			\$ 144,424	

1. Securities are shown at average amortized cost.

2. For purposes of these computations, nonaccrual loans are included in the average loan balances outstanding. The interest collected thereon is included in interest income based upon the characteristics of the related loans.

NET INTEREST INCOME

On a tax equivalent basis, the Company's net interest income for 2005 was \$162.4 million, up from \$154.7 million for 2004. The Company's net interest margin declined slightly to 4.01% for 2005 from 4.03% for 2004. The decline in the net interest margin resulted primarily from interest-bearing liabilities repricing up faster than earning assets, offset somewhat by the increase in average demand deposits, which increased \$50.3 million or 10% during the period. The yield on earning assets increased 37 basis points (bp), from 5.58% for 2004 to 5.95% for 2005. Meanwhile, the rate paid on interest bearing liabilities increased 47 bp, from 1.83% for 2004 to 2.30% for 2005. Additionally, offsetting the decline in net interest margin was an increase in average earning assets of \$204.9 million or 5%, driven primarily by a \$215.5 million increase in average loans and leases. The following table presents changes in interest income, on a FTE basis, and interest expense attributable to changes in volume (change in average balance multiplied by prior year rate), changes in rate (change in rate multiplied by prior year volume), and the net change in net interest income. The net change attributable to the combined impact of volume and rate has been allocated to each in proportion to the absolute dollar amounts of change.

Table 2. Analysis of Changes in Taxable Equivalent Net Interest Income

<i>(In thousands)</i>	Increase (Decrease) 2005 over 2004			Increase (Decrease) 2004 over 2003		
	Volume	Rate	Total	Volume	Rate	Total
Short-term interest-bearing accounts	\$ (9)	\$ 16	\$ 7	\$ 122	\$ 16	\$ 138
Securities available for sale	(710)	(810)	(1,520)	(680)	(1,000)	(1,680)
Securities held to maturity	129	521	650	(247)	(25)	(272)
Investment in FRB and FHLB Banks	74	970	1,044	182	(182)	-
Loans and leases	13,396	12,650	26,046	16,605	(12,147)	4,458
Total interest income	11,771	14,456	26,227	14,904	(12,260)	2,644
Money market deposit accounts	(520)	2,505	1,985	960	35	995
NOW deposit accounts	(113)	188	75	272	(382)	(110)
Savings deposits	(101)	240	139	411	(1,107)	(696)
Time deposits	3,857	4,115	7,972	(3,027)	(3,342)	(6,369)
Short-term borrowings	799	6,098	6,897	1,457	458	1,915
Trust preferred debentures	62	342	404	-	-	-
Long-term debt	1,143	(51)	1,092	832	(572)	260
Total interest expense	2,704	15,860	18,564	4,421	(7,603)	(3,182)
Change in FTE net interest income	\$ 9,067	\$ (1,404)	\$ 7,663	\$ 10,483	\$ (4,657)	\$ 5,826

LOANS AND LEASES AND CORRESPONDING INTEREST AND FEES ON LOANS

The average balance of loans and leases increased 8%, totaling \$3.0 billion in 2005 compared to \$2.7 billion in 2004. The yield on average loans and leases increased from 5.99% in 2004 to 6.43% in 2005, as loans, particularly loans indexed to Prime and other short-term variable rate indices, benefited from the rising rate environment in 2005. Interest income from loans and leases on a FTE basis increased 16%, from \$164.3 million in 2004 to \$190.3 million in 2005. The increase in interest income from loans and leases was due primarily to the increase in the average balance of loans and leases as well as the increase in yield on loans and leases in 2005 compared to 2004 noted above.

Total loans and leases increased 5% at December 31, 2005, totaling \$3.0 billion from \$2.9 billion at December 31, 2004. The increase in loans and leases was driven by strong growth in home equity loans, consumer loans, and real estate construction and development (primarily comprised of commercial real estate.) Home equity loans increased \$72.0 million or 18% from \$391.8 million at December 31, 2004 to \$463.8 million at December 31, 2005. The increase in home equity loans was due to strong product demand and successful marketing of home equity products in newer markets. Consumer loans increased \$51.8 million or 13%, from \$412.1 million at December 31, 2004 to \$464.0 million at December 31, 2005. The increase in consumer loans was driven primarily by strong growth in indirect auto lending from an expanded presence in Pennsylvania and newer markets in New York. Real estate construction and development loans increased \$26.9 million or 20% from \$136.9 million at December 31, 2004 to \$163.9 million at December 31, 2005, as the Bank originated several large commercial construction development loans in 2005 in its newer markets. Commercial and commercial real estate remained relatively unchanged at December 31, 2005 when compared to December 31, 2004, as new loan originations were offset by prepayments as competition for these loan types was particularly strong across all of the Company's markets in 2005. Residential real estate mortgages declined \$19.9 million or 3% at December 31, 2005 compared to December 31, 2004 as the Company began selling real estate mortgages in the secondary market during the second half of 2005 as a means of limiting its exposure to long-term interest rate risk.

The following table reflects the loan and lease portfolio by major categories as of December 31 for the years indicated:

Table 3. Composition of Loan and Lease Portfolio

(In thousands)	December 31,					
	2005	2004	2003	2002	2001	
Residential real estate mortgages	\$ 701,734	\$ 721,615	\$ 703,906	\$ 579,638	\$ 525,411	
Commercial and commercial real estate	1,032,977	1,018,548	954,024	920,330	958,075	
Real estate construction and development	163,863	136,934	86,046	64,025	60,513	
Agricultural and agricultural real estate	114,043	108,181	106,310	104,078	103,884	
Consumer	463,955	412,139	390,413	357,214	387,081	
Home equity	463,848	391,807	336,547	269,553	232,624	
Lease financing	82,237	80,697	62,730	61,094	72,048	
Total loans and leases	\$ 3,022,657	\$ 2,869,921	\$ 2,639,976	\$ 2,355,932	\$ 2,339,636	

Real estate mortgages consist primarily of loans secured by first or second deeds of trust on primary residences. Loans in the commercial and agricultural category, as well as commercial and agricultural real estate mortgages, consist primarily of short-term and/or floating rate loans made to small to medium-sized entities. Consumer loans consist primarily of installment credit to individuals secured by automobiles and other personal property including manufactured housing at December 31, 2005, real estate construction and development loans include \$146.5 million in commercial construction and development and \$17.4 million in residential construction loans. Commercial construction loans are for small and medium sized office buildings and other commercial properties and residential construction loans are primarily for projects located in upstate New York and northeastern Pennsylvania.

The Company's automobile lease financing portfolio totaled \$82.2 million at December 31, 2005 and \$80.7 million at December 31, 2004. Lease receivables primarily represent automobile financing to customers through direct financing leases and are carried at the aggregate of the lease payments receivable and the estimated residual values, net of unearned income and net deferred lease origination fees and costs. Net deferred lease origination fees and costs are amortized under the effective interest method over the estimated lives of the leases. The estimated residual value related to the total lease portfolio is reviewed quarterly, and if there had been a decline in the estimated fair value of the residual that is judged by management to be other-than-temporary, including consideration of residual value insurance, a loss would be recognized.

Adjustments related to such other-than-temporary declines in estimated fair value are recorded with other noninterest expenses in the consolidated statements of income. One of the most significant risks associated with leasing operations is the recovery of the residual value of the leased vehicles at the termination of the lease. A lease receivable asset includes the estimated residual value of the leased vehicle at the termination of the lease. At termination, the lessor has the option to purchase the vehicle or may turn the vehicle over to the Company. The residual values included in lease financing receivables totaled \$55.5 million and \$50.2 million at December 31, 2005 and 2004, respectively.

The Company has acquired residual value insurance protection in order to reduce the risk related to residual values. Based on analysis performed by management, the Company has concluded that no other-than-temporary impairment exists which would warrant a charge to earnings during the years ended December 31, 2005 and 2004.

The following table, Maturities and Sensitivities of Certain Loans to Changes in Interest Rates, are the maturities of the commercial and agricultural and real estate and construction development loan portfolios and the sensitivity of loans to interest rate fluctuations at December 31, 2005. Scheduled repayments are reported in the maturity category in which the contractual payment is due.

Table 4. Maturities and Sensitivities of Certain Loans to Changes in Interest Rates

	Remaining maturity at December 31, 2005			
	Within One Year	After One Year But Within Five Years	After Five Years	Total
<i>(In thousands)</i>				
<i>Floating/adjustable rate</i>				
Commercial, commercial real estate, agricultural, and agricultural real estate	\$ 457,393	\$ 92,361	\$ 97	\$ 549,851
Real estate construction and development	36,060	10,970	2,060	49,090
Total floating rate loans	493,453	103,331	2,157	598,941
<i>Fixed rate</i>				
Commercial, commercial real estate, agricultural, and agricultural real estate	229,330	298,542	69,297	597,169
Real estate construction and development	3,491	7,281	104,001	114,773
Total fixed rate loans	232,821	305,823	173,298	711,942
Total	\$ 726,274	\$ 409,154	\$ 175,455	\$ 1,310,883

SECURITIES AND CORRESPONDING INTEREST AND DIVIDEND INCOME

The average balance of the amortized cost for securities available for sale in 2005 was \$954.5 million, a decrease of \$15.6 million, or 2%, from \$970.0 million in 2004. The yield on average securities available for sale was 4.52% for 2005 compared to 4.60% in 2004. The slight decrease in yield on securities available for sale resulted from continued efforts to shorten the duration and weighted average life of the securities available for sale portfolio in 2005. At December 31, 2005, approximately 53% of total securities were comprised of fifteen/ten year mortgage-backed securities and collateralized mortgage obligations (CMOs), 22% were comprised of US Agency notes and bonds and 5% were comprised of thirty/twenty year mortgaged-backed securities. At December 31, 2004, the mix was 67% fifteen/ten year mortgage-backed securities and CMOs, 11% US Agency notes and bonds and 9% of thirty/twenty year mortgaged-backed securities. Furthermore, the Company shortened the estimated weighted average life of the total securities portfolio from 4.6 years at December 31, 2004 to 4.1 years at December 31, 2005. In the event of a rising rate environment, the Company should be positioned to reinvest cash flows at a faster rate from shortening the expected life of the portfolio.

The average balance of securities held to maturity increased from \$85.8 million in 2004 to \$88.2 million in 2005. At December 31, 2005, securities held to maturity were comprised primarily of tax-exempt municipal securities. The yield on securities held to maturity increased from 5.11% in 2004 to 5.71% in 2005 from higher yields for tax-exempt securities purchased during 2005. Investments in FRB and Federal Home Loan Bank (FHLB) stock increased to \$37.7 million in 2005 from \$34.8 million in 2004. This increase was driven primarily by an increase in the investment in FHLB resulting from an increase in the Company's borrowing capacity at FHLB. The yield from investments in FRB and FHLB Banks increased from 2.45% in 2004 to 5.05% in 2005. In 2003, the FHLB disclosed it had capital concerns and credit issues in their investment security portfolio. As a result of these issues, the FHLB reduced their dividend rate in 2004.

The Company classifies its securities at date of purchase as either available for sale, held to maturity or trading. Held to maturity debt securities are those that the Company has the ability and intent to hold until maturity. Available for sale securities are recorded at fair value. Unrealized holding gains and losses, net of the related tax effect, on available for sale securities are excluded from earnings and are reported in stockholders' equity as a component of accumulated other comprehensive income or loss. Held to maturity securities are recorded at amortized cost. Trading securities are recorded at fair value, with net unrealized gains and losses recognized currently in income. Transfers of securities between categories are recorded at fair value at the date of transfer. A decline in the fair value of any available for sale or held to maturity security below cost that is deemed other-than-temporary is charged to earnings resulting in the establishment of a new cost basis for the security. Securities with an other-than-temporary impairment are generally placed on non-accrual status.

Non-marketable equity securities are carried at cost, with the exception of small business investment company (SBIC) investments, which are carried at fair value in accordance with SBIC rules.

Premiums and discounts are amortized or accreted over the life of the related security as an adjustment to yield using the interest method. Dividend and interest income are recognized when earned. Realized gains and losses on securities sold are derived using the specific identification method for determining the cost of securities sold.

Table 5. Securities Portfolio

	As of December 31,					
	2005		2004		2003	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<i>(In thousands)</i>						
Securities available for sale						
U.S. Treasury	\$ 10,005	\$ 10,005	\$ 10,037	\$ 9,977	\$ 58	\$ 59
Federal Agency and mortgage-backed State & Municipal, collateralized mortgage obligations and other securities	684,907	672,602	694,928	696,835	843,777	849,686
	269,826	271,867	238,770	245,730	123,570	131,216
Total securities available for sale	\$ 964,738	\$ 954,474	\$ 943,735	\$ 952,542	\$ 967,405	\$ 980,961
Securities held to maturity						
Federal Agency and mortgage-backed State & Municipal Other securities	\$ 4,354	\$ 4,482	\$ 6,412	\$ 6,706	\$ 11,363	\$ 11,867
	87,582	87,446	75,128	75,764	85,437	86,305
	1,773	1,773	242	242	404	404
Total securities held to maturity	\$ 93,709	\$ 93,701	\$ 81,782	\$ 82,712	\$ 97,204	\$ 98,576

In the available for sale category at December 31, 2005, federal agency securities were comprised of Government-Sponsored Enterprise (“GSE”) securities; Mortgaged-backed securities were comprised of GSEs with an amortized cost of \$395.5 million and a fair value of \$386.0 million and US Government Agency securities with an amortized cost of \$53.0 million and a fair value of \$53.2 million; Collateralized mortgage obligations were comprised of GSEs with an amortized cost of \$102.6 million and a fair value of \$100.2 million and US Government Agency securities with an amortized cost of \$75.7 million and a fair value of \$73.8 million. At December 31, 2005, all of the mortgaged-backed securities held to maturity were comprised of US Government Agency securities.

The following tables set forth information with regard to contractual maturities of debt securities at December 31, 2005:

<i>(In thousands)</i>	Amortized cost	Estimated fair value	Weighted Average Yield
Debt securities classified as available for sale			
Within one year	\$ 45,264	\$ 44,914	2.76%
From one to five years	217,765	215,440	4.41%
From five to ten years	89,812	89,840	4.82%
After ten years	598,091	587,117	4.78%
	\$ 950,932	\$ 937,311	
Debt securities classified as held to maturity			
Within one year	\$ 26,451	\$ 26,452	3.45%
From one to five years	31,724	31,526	3.92%
From five to ten years	19,360	19,169	4.18%
After ten years	16,174	16,554	5.12%
	\$ 93,709	\$ 93,701	

FUNDING SOURCES AND CORRESPONDING INTEREST EXPENSE

The Company utilizes traditional deposit products such as time, savings, NOW, money market, and demand deposits as its primary source for funding. Other sources, such as short-term FHLB advances, federal funds purchased, securities sold under agreements to repurchase, brokered time deposits, and long-term FHLB borrowings are utilized as necessary to support the Company’s growth in assets and to achieve interest rate sensitivity objectives. The average balance of interest-bearing liabilities increased \$142.3 million, totaling \$3.4 billion in 2005 from \$3.3 billion in 2004. The rate paid on interest-bearing liabilities increased from 1.83% in 2004 to 2.30% in 2005. Increases in the rate paid on and the average balance of interest bearing liabilities caused an increase in interest expense of \$18.6 million, or 31%, from \$59.7 million in 2004 to \$78.3 million in 2005.

DEPOSITS

Average interest bearing deposits increased \$60.4 million during 2005 compared to 2004. The increase resulted primarily from increases in time deposits offset by declines in money market, savings and NOW accounts. Average time deposits increased \$137.8 million or 13% during 2005 when compared to 2004. The increase in average time deposits resulted primarily from increases in municipal, jumbo and brokered time deposits. The average balance of money market, savings and NOW accounts decreased collectively \$77.3 million or 5% during 2005 when compared to 2004. The decrease in money market and NOW accounts was driven primarily from municipal customers shifting their funds into higher paying time deposits in 2005. The decrease in savings was driven primarily from retail customers shifting funds into higher paying money market accounts and time deposits. The average balance of demand deposits increased \$50.3 million, or 10%, from \$492.7 million in 2004 to \$543.1 million in 2005. Solid growth in demand deposits was driven principally by increases in accounts from retail and business customers in newer markets. The ratio of average demand deposits to total average deposits increased from 16.2% in 2004 to 17.2% in 2005.

The rate paid on average interest-bearing deposits increased 35 bp from 1.56% during 2004 to 1.91% in 2005. The increase in rate on interest-bearing deposits was driven primarily by pricing increases from money market accounts and time deposits. These deposit products are more sensitive to interest rate changes. The pricing increases for these products resulted from several increases in short-term rates by the FRB during 2005 combined with competitive pricing for market competitors. The Company expects this trend to continue for money market accounts and time deposits in 2006. The rates paid for NOW and savings accounts remained relatively unchanged for 2005 compared to 2004. These product types are not as sensitive to rate changes and pricing pressure from competitors was low. If short-term rates continue to rise as projected in 2006, the Company expects that pricing pressures will increase from competition, as a result, rates paid for savings and NOW accounts will likely increase. Additionally, if the difference in pricing for savings accounts compared to money market accounts and short-term time deposits widens, the Company expects to experience a shift from lower cost savings accounts to higher cost money market accounts and short-term time deposits in 2006. The Company anticipates these events will likely have an adverse impact on the Company's net interest margin in 2006.

The following table presents the maturity distribution of time deposits of \$100,000 or more at December 31, 2005:

Table 6. Maturity Distribution of Time Deposits of \$100,000 or More

(In thousands)	December 31, 2005	
Within three months	\$	203,985
After three but within twelve months		189,090
After one but within three years		180,928
Over three years		17,749
Total	\$	591,752

BORROWINGS

Average short-term borrowings increased \$51.4 million to \$353.6 million in 2005. The average rate paid on short-term borrowings increased from 1.35% in 2004 to 3.11% in 2005, as the Federal Reserve Bank increased the discount rate (which directly impacts short-term borrowing rates) 200 bp in 2005. The increases in the average balance and the average rate paid caused interest expense on short-term borrowings to increase \$6.9 million from \$4.1 million in 2004 to \$11.0 million in 2005. Average long-term debt increased \$29.1 million from \$381.8 million in 2004 to \$410.9 million in 2005. The increases in long-term debt and short-term borrowings resulted primarily from loan growth exceeding deposit growth in 2005.

The average balance of trust preferred debentures increased \$1.3 million in 2005 compared to 2004. The average rate paid for trust preferred debentures in 2005 was 6.26%, up 176 bp from 4.50% in 2004. The increase in rate on the trust preferred debentures is due primarily to the previously mentioned increase in short-term rates during 2005, as \$18.7 million in trust preferred debentures are tied to 3-month LIBOR plus 275 bp (see footnote 12 “Trust Preferred Debentures” under Item 8 “Notes to Consolidated Financial Statements” for more information about these debentures). The increase in the average balance of trust preferred debentures is due primarily to the issuance of \$5.2 million of trust preferred debentures in November 2005 at a fixed rate of 6.30% for five years convertible to floating rate tied to 3-month LIBOR plus 140 bp for 25 years thereafter (callable after five years).

Short-term borrowings consist of Federal funds purchased and securities sold under repurchase agreements, which generally represent overnight borrowing transactions, and other short-term borrowings, primarily FHLB advances, with original maturities of one year or less. The Company has unused lines of credit and access to brokered deposits available for short-term financing of approximately \$594 million and \$545 million at December 31, 2005 and 2004, respectively. Securities collateralizing repurchase agreements are held in safekeeping by non-affiliated financial institutions and are under the Company’s control. Long-term debt, which is comprised primarily of FHLB advances, are collateralized by the FHLB stock owned by the Company, certain of its mortgage-backed securities and a blanket lien on its residential real estate mortgage loans.

RISK MANAGEMENT-CREDIT RISK

Credit risk is managed through a network of loan officers, credit committees, loan policies, and oversight from the senior credit officers and Board of Directors. Management follows a policy of continually identifying, analyzing, and grading credit risk inherent in each loan portfolio. An ongoing independent review, subsequent to management’s review, of individual credits in the commercial loan portfolio is performed by the independent loan review function. These components of the Company’s underwriting and monitoring functions are critical to the timely identification, classification, and resolution of problem credits.

NONPERFORMING ASSETS

Table 7. Nonperforming Assets

(Dollars in thousands)	As of December 31,				
	2005	2004	2003	2002	2001
<i>Nonaccrual loans</i>					
Commercial and agricultural loans and real estate	\$ 9,373	\$ 10,550	\$ 8,693	\$ 16,980	\$ 31,372
Real estate mortgages	2,009	2,553	2,483	5,522	5,119
Consumer	2,037	1,888	2,685	1,507	3,719
Total nonaccrual loans	13,419	14,991	13,861	24,009	40,210
<i>Loans 90 days or more past due and still accruing</i>					
Commercial and agricultural loans and real estate	-	-	242	237	198
Real estate mortgages	465	737	244	1,325	1,844
Consumer	413	449	482	414	933
Total loans 90 days or more past due and still accruing	878	1,186	968	1,976	2,975
Restructured loans	-	-	-	409	603
Total nonperforming loans	14,297	16,177	14,829	26,394	43,788
Other real estate owned	265	428	1,157	2,947	1,577
Total nonperforming loans and other real estate owned	14,562	16,605	15,986	29,341	45,365
Nonperforming securities	-	-	395	1,122	4,500
Total nonperforming loans, securities, and other real estate owned	\$ 14,562	\$ 16,605	\$ 16,381	\$ 30,463	\$ 49,865
Total nonperforming loans to loans and leases	0.47%	0.56%	0.56%	1.12%	1.87%
Total nonperforming loans and other real estate owned to total assets	0.33%	0.39%	0.40%	0.79%	1.25%
Total nonperforming loans, securities, and other real estate owned to total assets	0.33%	0.39%	0.40%	0.82%	1.37%
Total allowance for loan and lease losses to nonperforming loans	331.92%	277.75%	287.62%	152.18%	102.19%

The allowance for loan and lease losses is maintained at a level estimated by management to provide adequately for risk of probable losses inherent in the current loan and lease portfolio. The adequacy of the allowance for loan and lease losses is continuously monitored. It is assessed for adequacy using a methodology designed to ensure the level of the allowance reasonably reflects the loan and lease portfolio's risk profile. It is evaluated to ensure that it is sufficient to absorb all reasonably estimable credit losses inherent in the current loan and lease portfolio.

Management considers the accounting policy relating to the allowance for loan and lease losses to be a critical accounting policy given the inherent uncertainty in evaluating the levels of the allowance required to cover credit losses in the portfolio and the material effect that such judgements can have on the consolidated results of operations.

For purposes of evaluating the adequacy of the allowance, the Company considers a number of significant factors that affect the collectibility of the portfolio. For individually analyzed loans, these include estimates of loss exposure, which reflect the facts and circumstances that affect the likelihood of repayment of such loans as of the evaluation date. For homogeneous pools of loans and leases, estimates of the Company's exposure to credit loss reflect a current assessment of a number of factors, which could affect collectibility. These factors include: past loss experience; size, trend, composition, and nature of loans; changes in lending policies and procedures, including underwriting standards and collection, charge-offs and recoveries; trends experienced in nonperforming and delinquent loans; current economic conditions in the Company's market; portfolio concentrations that may affect loss experienced across one or more components of the portfolio; the effect of external factors such as competition, legal and regulatory requirements; and the experience, ability, and depth of lending management and staff. In addition, various regulatory agencies as an integral component of their examination process, periodically review the Company's allowance for loan and lease losses. Such agencies may require the Company to recognize additions to the allowance based on their examination.

After a thorough consideration of the factors discussed above, any required additions to the allowance for loan and lease losses are made periodically by charges to the provision for loan and lease losses. These charges are necessary to maintain the allowance at a level which management believes is reasonably reflective of overall inherent risk of probable loss in the portfolio. While management uses available information to recognize losses on loans and leases, additions to the allowance may fluctuate from one reporting period to another. These fluctuations are reflective of changes in risk associated with portfolio content and/or changes in management's assessment of any or all of the determining factors discussed above.

Total nonperforming assets were \$14.6 million at December 31, 2005, compared to \$16.6 million at December 31, 2004. Credit quality remained stable in 2005, as nonperforming loans totaled \$14.3 million at December 31, 2005, down from the \$16.2 million outstanding at December 31, 2004. Nonperforming loans as a percentage of total loans and leases decreased to 0.47% for December 31, 2005 from 0.56% at December 31, 2004. The total allowance for loan and lease losses is 331.92% of non-performing loans at December 31, 2005 as compared to 277.75% at December 31, 2004.

Impaired loans, which primarily consist of nonaccruing commercial type loans decreased slightly, totaling \$9.4 million at December 31, 2005 as compared to \$10.5 million at December 31, 2004. At December 31, 2005, \$2.9 million of the total impaired loans had a specific reserve allocation of \$0.0 million or 0% compared to \$0.5 million of total impaired loans at December 31, 2004 which had a specific reserve allocation of \$0.2 million or 30%.

Total net charge-offs for 2005 totaled \$6.9 million as compared to \$7.3 million for 2004. The ratio of net charge-offs to average loans and leases was 0.23% for 2005 compared to 0.27% for 2004. Gross charge-offs decreased \$0.6 million, totaling \$11.0 million for 2005 compared to \$11.6 million for 2004. Recoveries decreased slightly, from \$4.3 million in 2004 to \$4.1 million in 2005. The provision for loan and lease losses decreased slightly to \$9.5 million in 2005 from \$9.6 million in 2004. The allowance for loan and lease losses as a percentage of total loans and leases was 1.57% at December 31, 2005 and 2004. The slight decrease in the provision for loan and lease losses in 2005 compared to 2004 resulted mainly from loan growth and an increase in potential problem loans discussed below, offset by decreases in net charge-offs and nonperforming loans.

Table 8. Allowance for Loan and Lease Losses

<i>(Dollars in thousands)</i>					
	2005	2004	2003	2002	2001
Balance at January 1	\$ 44,932	\$ 42,651	\$ 40,167	\$ 44,746	\$ 32,494
Loans and leases charged-off					
Commercial and agricultural	3,403	4,595	5,619	9,970	17,097
Real estate mortgages	741	772	362	2,547	783
Consumer*	6,875	6,239	5,862	5,805	4,491
Total loans and leases charged-off	11,019	11,606	11,843	18,322	22,371
Recoveries					
Commercial and agricultural	1,695	2,547	3,185	3,394	1,063
Real estate mortgages	438	215	430	104	122
Consumer*	1,945	1,510	1,601	1,172	1,004
Total recoveries	4,078	4,272	5,216	4,670	2,189
Net loans and leases charged-off	6,941	7,334	6,627	13,652	20,182
Allowance related to purchase acquisitions	-	-	-	-	505
Provision for loan and lease losses	9,464	9,615	9,111	9,073	31,929
Balance at December 31	\$ 47,455	\$ 44,932	\$ 42,651	\$ 40,167	\$ 44,746
Allowance for loan and lease losses to loans and leases outstanding at end of year	1.57 %	1.57 %	1.62 %	1.70 %	1.91 %
Net charge-offs to average loans and leases outstanding	0.23 %	0.27 %	0.27 %	0.58 %	0.87 %

* Consumer charge-off and recoveries include consumer, home equity, and lease financing.

Total nonperforming assets were \$16.6 million at December 31, 2004, compared to \$16.4 million at December 31, 2003. Credit quality remained stable in 2004, as nonperforming loans totaled \$16.2 million at December 31, 2004, up slightly from the \$14.8 million outstanding at December 31, 2003. Nonperforming loans as a percentage of total loans and leases remained unchanged at 0.56% for December 31, 2004 and 2003. The total allowance for loan and lease losses is 277.75% of non-performing loans at December 31, 2004 as compared to 287.62% at December 31, 2003.

Total net charge-offs for 2004 totaled \$7.3 million as compared to \$6.6 million for 2003. The ratio of net charge-offs to average loans and leases was 0.27% for 2004 and 2003. Gross charge-offs decreased slightly totaling \$11.6 million for 2004 compared to \$11.8 million for 2003. Recoveries decreased \$0.9 million from \$5.2 million in 2003 to \$4.3 million in 2004, due to a decrease in commercial and agricultural recoveries in 2004 (due in part to several large commercial loan workouts in 2003). The provision for loan and lease losses increased to \$9.6 million in 2004 from \$9.1 million in 2003. The allowance for loan and lease losses as a percentage of total loans and leases was 1.57% at December 31, 2004 compared to 1.62% at December 31, 2003. The slight increase in the provision for loan and lease losses in 2004 compared to 2003 resulted mainly from strong loan growth, a slight increase in net charge-offs; and stable credit quality as the Company's credit quality measures remained relatively unchanged in 2004 compared to 2003.

In addition to the nonperforming loans discussed above, the Company has also identified approximately \$69.5 million in potential problem loans at December 31, 2005 as compared to \$48.0 million at December 31, 2004. Potential problem loans are loans that are currently performing, but where known information about possible credit problems of the related borrowers causes management to have doubts as to the ability of such borrowers to comply with the present loan repayment terms and which may result in disclosure of such loans as non-performing at some time in the future. At the Company, potential problem loans are typically loans that are performing but are classified by the Company's loan rating system as "substandard." At December 31, 2005 and 2004, potential problem loans primarily consisted of commercial and agricultural real estate and commercial and agricultural loans. The increase in potential problem loans at December 31, 2005 compared to December 31, 2004 resulted mainly from the downgrade of several large commercial credit relationships. At December 31, 2005, there were fifteen potential problem loans that exceeded \$1.0 million, totaling \$38.3 million in aggregate compared to seven potential problem loans exceeding \$1.0 million, totaling \$16.3 million at December 31, 2004. Management cannot predict the extent to which economic conditions may worsen or other factors which may impact borrowers and the potential problem loans. Accordingly, there can be no assurance that other loans will not become 90 days or more past due, be placed on nonaccrual, become restructured, or require increased allowance coverage and provision for loan losses.

The following table sets forth the allocation of the allowance for loan losses by category, as well as the percentage of loans and leases in each category to total loans and leases, as prepared by the Company. This allocation is based on management's assessment of the risk characteristics of each of the component parts of the total loan portfolio as of a given point in time and is subject to changes as and when the risk factors of each such component part change. The allocation is not indicative of either the specific amounts of the loan categories in which future charge-offs may be taken, nor should it be taken as an indicator of future loss trends. The allocation of the allowance to each category does not restrict the use of the allowance to absorb losses in any category. The following table sets forth the allocation of the allowance for loan losses by loan category:

Table 9. Allocation of the Allowance for Loan and Lease Losses

(Dollars in thousands)	December 31,									
	2005		2004		2003		2002		2001	
	Category Percent of Loans	Allowance	Category Percent of Loans	Allowance	Category Percent of Loans	Allowance	Category Percent of Loans	Allowance	Category Percent of Loans	Allowance
Commercial and agricultural	\$ 30,257	43%	\$ 28,158	44%	\$ 25,502	43%	\$ 25,589	46%	\$ 34,682	48%
Real estate mortgages	3,148	23%	4,029	25%	4,699	27%	3,884	25%	1,611	22%
Consumer	12,402	34%	10,887	31%	9,357	30%	7,654	29%	4,626	30%
Unallocated	1,648	0%	1,858	0%	3,093	0%	3,040	0%	3,827	0%
Total	\$ 47,455	100%	\$ 44,932	100%	\$ 42,651	100%	\$ 40,167	100%	\$ 44,746	100%

For 2005, the reserve allocation for commercial and agricultural loans increased as a decrease in net charge-off experience was offset by an increase in potential problem loans. The reserve allocation for real estate mortgages decreased, consistent with the decline in real estate mortgages and continued low charge-off experience. The reserve allocation for consumer loans increased from increases in net charge-offs and strong loan growth. The unallocated reserve decreased slightly to \$1.6 million for 2005 from \$1.9 million for 2004.

The unallocated reserve decreased from \$3.1 million in 2003 to \$1.9 million in 2004. The unallocated reserved ranged from \$3.9 million to \$3.1 million for the periods 2000 through 2003. This level of unallocated reserve for this period was primarily in response to the integration of three acquired banks during 2000 and 2001. These acquired banks appeared to have used generally less conservative underwriting and monitoring standards for their commercial related loans, which increased the inherent risk of loss in the loan and lease portfolio. This situation was exacerbated by the economic downturn in 2001 (recession and the terrorist attacks of September 11, 2001), which helped create a higher risk environment for the loan and lease portfolio. The Company responded to this higher risk environment by increasing unallocated reserves based on risk factors thought to increase with the slowing economy and inherent risk of recently acquired loans underwritten with less conservative underwriting standards. During 2002 and 2003, the Company successfully integrated the credit functions of the acquired banks noted above and for the period of 2002 through 2004, worked out a majority of the nonaccrual loans and potential problem loans associated with these acquired banks. During 2004, economic conditions continued to improve and the Company continued to experience positive trends in several credit quality measures. As a result of improved economic conditions and the reduction of risk from loans from acquired banks noted above, the level of unallocated reserve was decreased in 2004. Offsetting the decrease in unallocated reserve was an increase in reserve for commercial and agricultural loans as well as consumer loans in 2004. The increase in reserve allocations for these segments of the loan and lease portfolio was the result of portfolio growth and increases in historical loan loss experience for similar loans with similar characteristics and trends.

At December 31, 2005, approximately 62.4% of the Company's loans are secured by real estate located in central and northern New York and northeastern Pennsylvania. Accordingly, the ultimate collectibility of a substantial portion of the Company's portfolio is susceptible to changes in market conditions of those areas. Management is not aware of any material concentrations of credit to any industry or individual borrowers.

LIQUIDITY RISK

Liquidity involves the ability to meet the cash flow requirements of customers who may be depositors wanting to withdraw funds or borrowers needing assurance that sufficient funds will be available to meet their credit needs. The Asset Liability Committee (ALCO) is responsible for liquidity management and has developed guidelines which cover all assets and liabilities, as well as off balance sheet items that are potential sources or uses of liquidity. Liquidity policies must also provide the flexibility to implement appropriate strategies and tactical actions. Requirements change as loans and leases grow, deposits and securities mature, and payments on borrowings are made. Liquidity management includes a focus on interest rate sensitivity management with a goal of avoiding widely fluctuating net interest margins through periods of changing economic conditions.

The primary liquidity measurement the Company utilizes is called Basic Surplus which captures the adequacy of its access to reliable sources of cash relative to the stability of its funding mix of average liabilities. This approach recognizes the importance of balancing levels of cash flow liquidity from short- and long-term securities with the availability of dependable borrowing sources which can be accessed when necessary. At December 31, 2005, the Company's Basic Surplus measurement was 5.2% of total assets or \$228 million, which was above the Company's minimum of 5% (calculated at \$221 million of period end total assets at December 31, 2005) set forth in its liquidity policies.

This Basic Surplus approach enables the Company to adequately manage liquidity from both operational and contingency perspectives. By tempering the need for cash flow liquidity with reliable borrowing facilities, the Company is able to operate with a more fully invested and, therefore, higher interest income generating, securities portfolio. The makeup and term structure of the securities portfolio is, in part, impacted by the overall interest rate sensitivity of the balance sheet. Investment decisions and deposit pricing strategies are impacted by the liquidity position. At December 31, 2005, the Company considered its Basic Surplus position as tightening. The Company anticipates the merger with CNB will improve its Basic Surplus measurement, in the range of 6% to 7% in the first quarter of 2006. Despite this expected improvement in liquidity, certain events may adversely impact the Company's liquidity position in 2006. Continued improvement in the economy may increase demand for equity related products or increase competitive pressure on deposit pricing, which in turn, could result in a decrease in the Company's deposit base or increase funding costs. Additionally, liquidity will come under additional pressure if loan growth continues to exceed deposit growth in 2006. Lastly, unexpected run-off of deposits from the CNB merger will adversely impact liquidity. These scenarios could lead to a decrease in the Company's basic surplus measure below the minimum policy level of 5%. To manage this risk, the Company has the ability to purchase brokered time deposits, established borrowing facilities with other banks (Federal funds), and has the ability to enter into repurchase agreements with investment companies. The additional liquidity that could be provided by these measures amounted to \$594 million at December 31, 2005.

At December 31, 2005, a portion of the Company's loans and securities were pledged as collateral on borrowings. Therefore, future growth of earning assets will depend upon the Company's ability to obtain additional funding, through growth of core deposits and collateral management, and may require further use of brokered time deposits, or other higher cost borrowing arrangements.

Net cash flows provided by operating activities totaled \$65.1 million in 2005 and \$96.6 million in 2004. The critical elements of net operating cash flows include net income, after adding back provision for loan and lease losses, and depreciation and amortization. The decrease in cash provided by operating activities in 2005 compared to 2004 resulted primarily from the net increase in proceeds from the sale of loans, which totaled of \$16.9 million in 2004 as compared to a \$3.0 million decrease in 2005 as originations exceeded sales.

Net cash used in investing activities totaled \$206.1 million in 2005 and \$224.7 million in 2004. Critical elements of investing activities are loan and investment securities transactions. The decrease in investing activities in 2004 was due primarily to the net increase in loans which totaled \$255.0 million in 2004 compared to \$157.0 million in 2005 offset by purchases of securities available for sale and held to maturity exceeding proceeds from sales, maturities, calls and pay downs which totaled \$30.5 million in 2005 compared with proceeds from sales, maturities, calls and pay downs of securities available for sale and held to maturity exceeding purchases which totaled \$37.9 million for 2004.

Net cash flows provided by financing activities totaled \$176.8 million in 2005 and \$106.8 million in 2004. The critical elements of financing activities are proceeds from deposits, long-term debt, short-term borrowings, and stock issuances. In addition, financing activities are impacted by dividends and treasury stock transactions.

In connection with its financing and operating activities, the Company has entered into certain contractual obligations. The Company's future minimum cash payments, excluding interest, associated with its contractual obligations pursuant to its borrowing agreements and operating leases at December 31, 2005 are as follows:

Contractual Obligations

(In thousands)

	<i>Payments Due by Period</i>						
	2006	2007	2008	2009	2010	Thereafter	Total
Long-term debt obligations	\$ 85,000	\$ 65,000	\$ 115,261	\$ 75,000	\$ 25,000	\$ 49,069	\$ 414,330
Trust preferred debentures	-	-	-	-	-	23,875	23,875
Operating lease obligations	2,590	2,341	1,804	1,384	1,031	6,620	15,770
Total contractual obligations	<u>\$ 87,590</u>	<u>\$ 67,341</u>	<u>\$ 117,065</u>	<u>\$ 76,384</u>	<u>\$ 26,031</u>	<u>\$ 79,564</u>	<u>\$ 453,975</u>

OFF-BALANCE SHEET RISK COMMITMENTS TO EXTEND CREDIT

The Company makes contractual commitments to extend credit, which include unused lines of credit, which are subject to the Company's credit approval and monitoring procedures. At December 31, 2005 and 2004, commitments to extend credit in the form of loans, including unused lines of credit, amounted to \$497.1 million and \$507.4 million, respectively. In the opinion of management, there are no material commitments to extend credit, including unused lines of credit, that represent unusual risks. All commitments to extend credit in the form of loans, including unused lines of credit, expire within one year.

STAND-BY LETTERS OF CREDIT

In November 2002, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 45 (FIN No. 45), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others; an Interpretation of FASB Statements Nos. 5, 57, and 107 and rescission of FASB Interpretation No. 34." FIN No. 45 requires certain new disclosures and potential liability-recognition for the fair value at issuance of guarantees that fall within its scope. Under FIN No. 45, the Company does not issue any guarantees that would require liability-recognition or disclosure, other than its stand-by letters of credit.

The Company guarantees the obligations or performance of customers by issuing stand-by letters of credit to third parties. These stand-by letters of credit are frequently issued in support of third party debt, such as corporate debt issuances, industrial revenue bonds, and municipal securities. The risk involved in issuing stand-by letters of credit is essentially the same as the credit risk involved in extending loan facilities to customers, and they are subject to the same credit origination, portfolio maintenance and management procedures in effect to monitor other credit and off-balance sheet products. Typically, these instruments have terms of five years or less and expire unused; therefore, the total amounts do not necessarily represent future cash requirements. At December 31, 2005 and 2004, outstanding stand-by letters of credit were approximately \$42.9 million and \$31.6 million, respectively. The fair value of the Company's stand-by letters of credit at December 31, 2005 and 2004 was not significant. The following table sets forth the commitment expiration period for stand-by letters of credit at December 31, 2005:

Commitment Expiration of Stand-by Letters of Credit

Within one year	\$	28,104
After one but within three years		13,422
After three but within five years		1,340
Total	\$	42,866

LOANS SERVICED FOR OTHERS AND LOANS SOLD WITH RECOURSE

The total amount of loans serviced by the Company for unrelated third parties was approximately \$81.2 million and \$70.8 million at December 31, 2005 and 2004, respectively. At December 31, 2005 and 2004, the Company serviced \$5.8 million and \$5.6 million, respectively, of loans sold with recourse. Due to collateral on these loans, no reserve is considered necessary at December 31, 2005 and 2004.

CAPITAL RESOURCES

Consistent with its goal to operate a sound and profitable financial institution, the Company actively seeks to maintain a “well-capitalized” institution in accordance with regulatory standards. The principal source of capital to the Company is earnings retention. The Company’s capital measurements are in excess of both regulatory minimum guidelines and meet the requirements to be considered well capitalized.

The Company’s principal source of funds to pay interest on trust preferred debentures and pay cash dividends to its shareholders is dividends from its subsidiaries. Various laws and regulations restrict the ability of banks to pay dividends to their shareholders. Generally, the payment of dividends by the Company in the future as well as the payment of interest on the capital securities will require the generation of sufficient future earnings by its subsidiaries.

The Bank also is subject to substantial regulatory restrictions on its ability to pay dividends to the Company. Under OCC regulations, the Bank may not pay a dividend, without prior OCC approval, if the total amount of all dividends declared during the calendar year, including the proposed dividend, exceed the sum of its retained net income to date during the calendar year and its retained net income over the preceding two years. At December 31, 2005, approximately \$58.5 million of the total stockholders’ equity of the Bank was available for payment of dividends to the Company without approval by the OCC. The Bank’s ability to pay dividends also is subject to the Bank being in compliance with regulatory capital requirements. The Bank is currently in compliance with these requirements.

STOCK REPURCHASE PLAN

On January 24, 2005, the Company’s Board of Directors adopted a new repurchase program whereby the Company is authorized to repurchase up to 1,500,000 shares (approximately 5%) of its outstanding common stock. At that time, there were 719,800 shares remaining under the January 26, 2004 authorization that was superseded by the new repurchase program. During 2005, the Company repurchased 1,008,114 shares of its own common stock for \$23.2 million at an average price of \$22.97 per share. At December 31, 2005, there were 503,151 shares available for repurchase under the January 24, 2005 authorization.

On January 23, 2006, the Company's Board of Directors adopted a new repurchase program whereby the Company is authorized to repurchase up to an additional 1,000,000 shares (approximately 3%) of its outstanding common stock. The shares remaining under the 2005 authorization will be combined with the 2006 authorization, increasing the total shares available for repurchase to 1,503,151.

NONINTEREST INCOME

Noninterest income is a significant source of revenue for the Company and an important factor in the Company's results of operations. The following table sets forth information by category of noninterest income for the years indicated:

<i>(In thousands)</i>	Years ended December 31,		
	2005	2004	2003
Service charges on deposit accounts	\$ 16,894	\$ 16,470	\$ 15,833
Broker/dealer and insurance revenue	3,186	6,782	6,869
Trust	5,029	4,605	4,041
Bank owned life insurance income	1,347	1,487	815
ATM/Debit Card fees	6,162	5,530	5,307
Retirement plan administration fees	4,426	-	-
Other	6,741	5,799	4,738
Total before net securities (losses) gains	43,785	40,673	37,603
Net securities (losses) gains	(1,236)	216	175
Total	\$ 42,549	\$ 40,889	\$ 37,778

Noninterest income for the year ended December 31, 2005, was \$42.5 million, up \$1.6 million from \$40.9 million for the same period in 2004. Excluding net securities losses of \$1.2 million for 2005 and net securities gains of \$0.2 million in 2004, total noninterest income increased \$3.1 million or 8% from the same period in 2004. Net securities losses of \$1.2 million resulted from the sale of \$47.8 million in securities available for sale to improve investment portfolio yield going forward. Retirement plan administration fees were \$4.4 million. This is a new service from the acquisition of EPIC Advisors, Inc. in January 2005. ATM and debit card fees increased \$0.6 million compared with the same period a year ago, due to growth from transaction deposit accounts, which has led to an increase in the Company's debit card base. Other income increased \$0.9 million from increases in consumer banking fees, mortgage banking income and title insurance revenue. Offsetting these increases was a \$3.6 million decrease in broker/dealer and insurance revenue due to the sale of the Company's broker/dealer subsidiary, M. Griffith, Inc. in March 2005.

NONINTEREST EXPENSE

Noninterest expenses are also an important factor in the Company's results of operations. The following table sets forth the major components of noninterest expense for the years indicated:

(In thousands)	Years ended December 31,		
	2005	2004	2003
Salaries and employee benefits	\$ 60,005	\$ 55,204	\$ 50,439
Occupancy	10,452	9,905	9,328
Equipment	8,118	7,573	7,627
Data processing and communications	10,349	10,972	10,752
Professional fees and outside services	6,087	6,175	5,433
Office supplies and postage	4,628	4,459	4,216
Amortization of intangible assets	544	284	620
Capital securities	-	-	732
Loan collection and other real estate owned	1,002	1,241	1,840
Goodwill impairment	-	1,950	-
Other	14,120	12,014	13,530
Total noninterest expense	\$ 115,305	\$ 109,777	\$ 104,517

Noninterest expense for the year ended December 31, 2005, was \$115.3 million, up \$5.5 million or 5% from \$109.8 million for the same period in 2004. The increase in noninterest expense was due largely to increases in salaries and employee benefits, occupancy, equipment and other expense offset by a decrease in data processing and communications expense. Also, 2004 included a \$2.0 million goodwill impairment charge. Salaries and employee benefits increased \$4.8 million primarily from merit increases as well as an increase in retirement costs and incentive compensation. Occupancy expense increased \$0.5 million, driven principally by branch expansion and rising energy costs. Equipment expense increased \$0.5 million from various technology upgrades. Other operating expense increased \$2.1 million, principally from the reversal of a previously accrued \$1.4 million liability that was determined in the fourth quarter of 2004 to no longer be required. The \$2.0 million goodwill impairment charge in 2004 resulted from the expected sale of the Company's broker/dealer subsidiary, M Griffith, Inc. in the first quarter of 2005. The decrease in data processing and communications of \$0.6 million was driven by a contract renewal with the Company's core data system service provider in 2005.

INCOME TAXES

In 2005, income tax expense was \$23.5 million, as compared to \$21.9 million in 2004 and \$21.5 million in 2003. The Company's effective tax rate was 30.9%, 30.5%, and 31.3% in 2005, 2004, and 2003, respectively. The 2005 effective rate included a reversal of a \$0.7 million accrued tax liability in the third quarter of 2005 that was determined to no longer be required and a \$0.4 million permanent difference related to a \$1.1 million taxable gain for the sale of M. Griffith Inc. The 2004 effective rate included a reversal of a \$0.8 million accrued tax liability in the fourth quarter of 2004 that was determined to no longer be required.

The proposed 2006 New York State budget bill contains a provision that would disallow the exclusion of dividends paid by a real estate investment trust subsidiary (“REIT”). The bill, if enacted as proposed would be effective for taxable years beginning on or after January 1, 2006, and the Company would lose the tax benefit associated with the REIT. Until there is resolution to this proposal, the Company may have to increase the 2006 tax provision by approximately \$300K per quarter as compared to 2005 and may have to begin recording the increased provision in the first quarter of 2006. Additionally, the proposed legislation would reduce the statutory tax rate on the taxable income base from 7.50% to 6.75%.

We calculate our current and deferred tax provision based on estimates and assumptions that could differ from the actual results reflected in income tax returns filed during the subsequent year. Adjustments based on filed returns are recorded when identified, which is generally in the third quarter of the subsequent year for U.S. federal and state provisions.

The amount of income taxes we pay is subject at times to ongoing audits by federal and state tax authorities, which often result in proposed assessments. Our estimate for the potential outcome for any uncertain tax issue is highly judgmental. We believe we have adequately provided for any reasonably foreseeable outcome related to these matters. However, our future results may include favorable or unfavorable adjustments to our estimated tax liabilities in the period the assessments are proposed or resolved or when statutes of limitation on potential assessments expire. As a result, our effective tax rate may fluctuate significantly on a quarterly or annual basis.

2004 OPERATING RESULTS AS COMPARED TO 2003 OPERATING RESULTS

NET INTEREST INCOME

On a tax equivalent basis, the Company’s net interest income for 2004 was \$154.7 million, up from \$148.9 million for 2003. The Company’s net interest margin declined to 4.03% for 2004 from 4.16% for 2003. The decline in the net interest margin resulted primarily from earning assets repricing downward faster than interest bearing liabilities. The yield on earning assets decreased 33 basis points (bp), from 5.91% for 2003 to 5.58% for 2004. Meanwhile, the rate paid on interest bearing liabilities decreased 24 bp, from 2.07% for 2003 to 1.83% for 2004. Offsetting the decline in net interest margin was an increase in average earning assets of \$260.3 million or 7%, driven primarily by a \$268.9 million increase in average loans and leases.

LOANS AND LEASES AND CORRESPONDING INTEREST AND FEES ON LOANS

The average balance of loans and leases increased 11%, totaling \$2.7 billion in 2004 compared to \$2.5 billion in 2003. The yield on average loans and leases decreased from 6.46% in 2003 to 5.99% in 2004, as long-term interest rates remained at relatively historic low levels for much of 2004. Interest income from loans and leases on a FTE basis increased 3%, from \$159.8 million in 2003 to \$164.3 million in 2004. The increase in interest income from loans and leases was due primarily to the increase the average balance of loans and leases noted above offset somewhat by a the decline in yield on loans and leases in 2004 compared to 2003.

Total loans and leases increased 9% at December 31, 2004, totaling \$2.9 billion from \$2.6 billion at December 31, 2003. The increase in loans and leases was driven by strong growth in home equity loans, real estate construction and development (primarily comprised of commercial real estate), lease financing and modest growth in commercial loans and commercial real estate. Home equity loans increased \$55.3 million or 16% from \$336.5 million at December 31, 2003 to \$391.8 million at December 31, 2004. The increase in home equity loans was due to strong product demand as the Bank's prime lending rate (which the home equity line product is tied to) remained at historic lows for the first-half of 2004. Additionally, the Bank was successful in marketing its home equity product in its newer markets. Real estate construction and development loans increased \$50.9 million or 59% from \$86.0 million at December 31, 2003 to \$136.9 million at December 31, 2004, as the Bank originated several large commercial construction development loans in 2004 in its newer markets. Lease financing increased \$18.0 million or 29% from \$62.7 million at December 31, 2003 to \$80.7 million at December 31, 2004. The increase in lease financing resulted from the Bank's expanded presence in the northeastern Pennsylvania market in 2004. Commercial loans and commercial real estate increased \$64.5 million or 7% from \$954.0 million at December 31, 2003 to \$1.0 billion at December 31, 2004, as the Bank continued to expand its commercial banking presence in Albany, Binghamton, and northeastern Pennsylvania.

SECURITIES AND CORRESPONDING INTEREST AND DIVIDEND INCOME

The average balance of securities available for sale in 2004 was \$970.0 million, a decrease of \$14.6 million, or 1%, from \$984.6 million in 2003. The yield on average securities available for sale was 4.60% for 2004 compared to 4.70% in 2003. The slight decrease in yield on securities available for sale resulted from continued efforts to shorten the duration and weighted average life of the securities available for sale portfolio in 2004. At December 31, 2004, approximately 67% of securities available for sale were comprised of fifteen/ten year mortgage-backed securities and collateralized mortgage obligations and 9% were comprised of thirty/twenty year mortgaged-backed securities. At December 31, 2003, the mix was 63% fifteen/ten year mortgage-backed securities and 10% thirty/twenty year mortgaged-backed securities. Furthermore, the Company shortened the estimated weighted average life of the total securities portfolio from 5.0 years at December 31, 2003 to 4.6 years at December 31, 2004. In the event of a rising rate environment, the Company should be positioned to reinvest cash flows at a faster rate from shortening the expected life of the portfolio.

The average balance of securities held to maturity decreased from \$90.6 million in 2003 to \$85.8 million in 2004. At December 31, 2004, securities held to maturity were comprised primarily of tax-exempt municipal securities. The yield on securities held to maturity decreased slightly from 5.14% in 2003 to 5.11% in 2004. Investments in FRB and Federal Home Loan Bank (FHLB) stock increased to \$34.8 million in 2004 from \$28.1 million in 2003. This increase was driven primarily by an increase in the investment in FHLB resulting from an increase in the Company's borrowing capacity at FHLB. The yield from investments in FRB and FHLB Banks declined from 3.04% in 2003 to 2.45% in 2004. In 2003, the FHLB disclosed it had capital concerns and credit issues in their investment security portfolio. As a result of these issues, the FHLB suspended a quarterly dividend payment in 2003 and reduced their dividend rate in 2004.

BORROWINGS

Average short-term borrowings increased \$111.9 million to \$302.3 million in 2004. The average rate paid on short-term borrowings increased from 1.14% in 2003 to 1.35% in 2004, as the Federal Reserve Bank increased the discount rate (which directly impacts short-term borrowing rates) 125 bp in 2004. The increases in the average balance and the average rate paid caused interest expense on short-term borrowings to increase \$1.9 million from \$2.2 million in 2003 to \$4.1 million in 2004. Average long-term debt increased \$20.8 million, from \$360.9 million in 2003 to \$381.8 million in 2004. The increases in long-term debt and short-term borrowings resulted primarily from loan growth exceeding deposit growth in 2004.

NONINTEREST INCOME

Noninterest income before securities losses increased \$3.1 million or 8% to \$40.7 million for 2004 from \$37.6 million for 2003. Fees from service charges on deposit accounts increased \$0.6 million or 4% for 2004 when compared to 2003, primarily from an increase in deposits pricing adjustments related to overdraft fees. Broker/dealer and insurance fees remained relatively unchanged as the Company's insurance subsidiary CFS , which no longer provided insurance services in May 2003, had revenues of \$0.4 million for 2003 compared to no revenue for 2004. Offsetting this decrease was a \$0.3 million increase in revenue from the Company's financial services division in 2004 from continued growth from this relatively new business initiative, which was launched in 2003. Trust revenue increased \$0.6 million or 14% in 2004, primarily from growth in assets under management and increased trust accounts. Other income increased \$1.3 million or 13%, in 2004, from growth in ATM and other consumer and commercial banking fee income. Bank owned life insurance ("BOLI") income increased \$0.7 million in 2004 compared to 2003 as the Company recognized a full year of BOLI income in 2004 compared to 6 months of BOLI income in 2003 due to the \$30 million purchase of BOLI in June 2003.

NONINTEREST EXPENSE

Total noninterest expense increased \$5.3 million or 5% from \$104.5 million in 2003 to \$109.8 million in 2004. Salaries and benefits increased \$4.8 million or 9% in 2004 from increases in salaries of \$2.1 million, incentive compensation of \$0.8 million, and medical insurance of \$1.4 million. The increase in salaries was driven primarily by merit increases and an increase in full-time equivalent employees (from market expansion). Incentive compensation increased from increases in revenue generator incentive payments, financial services commissions and 401(K)/ESOP contributions as the Company's focus has shifted to a variable compensation structure for sales-oriented employees. Rising health care costs drove the increase in medical insurance. Occupancy expense increased \$0.6 million or 6% in 2004 from increases in depreciation, rent and property taxes from branch expansion in the Albany and Binghamton markets in 2004 and 2003. Professional fees and outside services increased \$0.7 million or 14% in 2004 compared to 2003 from increases in audit costs related to Sarbanes-Oxley compliance and courier expense (market expansion and increased fuel costs). In the fourth quarter of 2004, the Company took a \$2.0 million goodwill impairment charge related to its broker/dealer subsidiary MGI. The goodwill impairment charge stems from the purchase price agreed to in a definitive agreement signed in the fourth quarter 2004 for the sale of MGI, which closed in the first quarter of 2005. The sale of MGI was due to the Company's decision to change its strategy in delivering financial services directly through its Bank and Trust Department.

Offsetting these increases were decreases in 2004 in other operating expense of \$1.5 million and \$0.6 million in loan collection and OREO costs. The decrease in other operating expense resulted from a \$1.4 million reversal of an accrued liability that was determined to no longer be required in the fourth quarter of 2004. The decrease in loan collection and OREO costs resulted from lower collection costs from a decrease in nonperforming loans.

IMPACT OF INFLATION AND CHANGING PRICES

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Interest rate risk is the most significant market risk affecting the Company. Other types of market risk, such as foreign currency exchange rate risk and commodity price risk, do not arise in the normal course of the Company's business activities or are immaterial to the results of operations.

Interest rate risk is defined as an exposure to a movement in interest rates that could have an adverse effect on the Company's net interest income. Net interest income is susceptible to interest rate risk to the degree that interest-bearing liabilities mature or reprice on a different basis than earning assets. When interest-bearing liabilities mature or reprice more quickly than earning assets in a given period, a significant increase in market rates of interest could adversely affect net interest income. Similarly, when earning assets mature or reprice more quickly than interest-bearing liabilities, falling interest rates could result in a decrease in net interest income.

In an attempt to manage the Company's exposure to changes in interest rates, management monitors the Company's interest rate risk. Management's asset/liability committee (ALCO) meets monthly to review the Company's interest rate risk position and profitability, and to recommend strategies for consideration by the Board of Directors. Management also reviews loan and deposit pricing, and the Company's securities portfolio, formulates investment and funding strategies, and oversees the timing and implementation of transactions to assure attainment of the Board's objectives in the most effective manner. Notwithstanding the Company's interest rate risk management activities, the potential for changing interest rates is an uncertainty that can have an adverse effect on net income.

In adjusting the Company's asset/liability position, the Board and management attempt to manage the Company's interest rate risk while minimizing the net interest margin compression. At times, depending on the level of general interest rates, the relationship between long and short-term interest rates, market conditions and competitive factors, the Board and management may determine to increase the Company's interest rate risk position somewhat in order to increase its net interest margin. The Company's results of operations and net portfolio values remain vulnerable to changes in interest rates and fluctuations in the difference between long-and short-term interest rates.

The primary tool utilized by ALCO to manage interest rate risk is a balance sheet/income statement simulation model (interest rate sensitivity analysis). Information such as principal balance, interest rate, maturity date, cash flows, next repricing date (if needed), and current rates is uploaded into the model to create an ending balance sheet. In addition, ALCO makes certain assumptions regarding prepayment speeds for loans and leases and mortgage related investment securities along with any optionality within the deposits and borrowings. The model is first run under an assumption of a flat rate scenario (i.e. no change in current interest rates) with a static balance sheet over a 12-month period. Two additional models are run in which a gradual increase of 200 bp and a gradual decrease of 200 bp takes place over a 12 month period with a static balance sheet. Under these scenarios, assets subject to prepayments are adjusted to account for faster or slower prepayment assumptions. Any investment securities or borrowings that have callable options embedded into them are handled accordingly based on the interest rate scenario. The resultant changes in net interest income are then measured against the flat rate scenario.

In the declining rate scenario, net interest income is projected to decrease when compared to the forecasted net interest income in the flat rate scenario through the simulation period. The decrease in net interest income is a result of earning assets repricing downward faster than interest-bearing liabilities. The inability to effectively lower deposit rates will likely reduce or eliminate the otherwise normal expected benefit of lower interest rates. In the rising rate scenarios, net interest income is projected to experience a decline from the flat rate scenario. Net interest income is projected to remain at lower levels than in a flat rate scenario through the simulation period primarily due to a lag in assets repricing while funding costs increase. The potential impact on earnings is dependent on the ability to lag deposit repricing. Net interest income for the next twelve months in the +200/- 200 bp scenarios, as described above, is within the internal policy risk limits of not more than a 7.5% change in net interest income. The following table summarizes the percentage change in net interest income in the rising and declining rate scenarios over a 12-month period from the forecasted net interest income in the flat rate scenario using the December 31, 2005 balance sheet position:

Table 10. Interest Rate Sensitivity Analysis

Change in interest rates (In basis points)	Percent change in net interest income
+200	(2.15%)
-200	(1.09%)

Under the flat rate scenario with a static balance sheet, net interest income is anticipated to decrease approximately 1.8% from total net interest income for 2005. The Company anticipates under current conditions, interest expense is expected to increase at a faster rate than interest income as the Company is somewhat liability sensitive. In order to protect net interest income from anticipated net interest margin compression, the Company will continue to focus on increasing earning assets through loan growth and leverage opportunities. However, if the Company cannot increase the level of earning assets at December 31, 2005, the Company expects net interest income to decline in 2006.

The Company has taken several measures to mitigate net interest margin compression. The Company began originating 20-year and 30-year residential real estate mortgages with the intent to sell at the end of the second quarter of 2005, limiting its exposure to long-term fixed rate assets. The Company has also shortened the average life of its investment securities portfolio by limiting purchases of mortgage-backed securities and redirecting proceeds into short-duration CMOs and US Agency notes and bonds. Lastly, from time to time during 2005, the Company has increased its long-term debt to offset exposure to long-term earning assets.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
NBT Bancorp Inc.:

We have audited the accompanying consolidated balance sheets of NBT Bancorp Inc. and subsidiaries (the Company) as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in stockholders' equity, cash flows and comprehensive income for each of the years in the three-year period ended December 31, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NBT Bancorp Inc. and subsidiaries at December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of NBT Bancorp Inc.'s internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 6, 2006 expressed an unqualified opinion on management's assessment of, and effective operation of, internal control over financial reporting.

/S/ KPMG LLP

Albany, New York
March 6, 2006

Consolidated Balance Sheets

(In thousands, except share and per share data)	As of December 31,	
	2005	2004
Assets		
Cash and due from banks	\$ 134,501	\$ 98,437
Short-term interest bearing accounts	7,987	8,286
Securities available for sale, at fair value	954,474	952,542
Securities held to maturity (fair value \$93,701 and \$82,712)	93,709	81,782
Federal Reserve and Federal Home Loan Bank stock	40,259	36,842
Loans and leases	3,022,657	2,869,921
Less allowance for loan and lease losses	47,455	44,932
Net loans and leases	2,975,202	2,824,989
Premises and equipment, net	63,693	63,743
Goodwill	47,544	45,570
Intangible assets, net	3,808	2,013
Bank owned life insurance	33,648	32,302
Other assets	71,948	65,798
Total assets	\$ 4,426,773	\$ 4,212,304
Liabilities		
Demand (noninterest bearing)	\$ 593,422	\$ 520,218
Savings, NOW, and money market	1,325,166	1,435,561
Time	1,241,608	1,118,059
Total deposits	3,160,196	3,073,838
Short-term borrowings	444,977	338,823
Long-term debt	414,330	394,523
Trust preferred debentures	23,875	18,720
Other liabilities	49,452	54,167
Total liabilities	4,092,830	3,880,071
Stockholders' equity		
Preferred stock, \$0.01 par value; Authorized 2,500,000 shares at December 31, 2005 and 2004.	-	-
Common stock, \$0.01 par value. Authorized 50,000,000 shares at December 31, 2005 and 2004; issued 34,400,925 and 34,401,008 at December 31, 2005 and 2004, respectively	344	344
Additional paid-in-capital	219,157	218,012
Unvested restricted stock	(457)	(296)
Retained earnings	163,989	137,323
Accumulated other comprehensive (loss) income	(6,477)	4,989
Common stock in treasury, at cost, 2,101,382 and 1,544,247 shares	(42,613)	(28,139)
Total stockholders' equity	333,943	332,233
Total liabilities and stockholders' equity	\$ 4,426,773	\$ 4,212,304

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

(In thousands, except per share data)	Years ended December 31,		
	2005	2004	2003
Interest, fee, and dividend income			
Interest and fees on loans and leases	\$ 189,714	\$ 163,795	\$ 159,118
Securities available for sale	41,120	42,264	43,851
Securities held to maturity	3,407	3,044	3,391
Other	2,126	1,076	938
Total interest, fee, and dividend income	236,367	210,179	207,298
Interest expense			
Deposits	49,932	39,761	45,941
Short-term borrowings	10,984	4,086	2,171
Long-term debt	16,114	15,022	14,762
Trust preferred debentures	1,226	823	-
Total interest expense	78,256	59,692	62,874
Net interest income	158,111	150,487	144,424
Provision for loan and lease losses	9,464	9,615	9,111
Net interest income after provision for loan and lease losses	148,647	140,872	135,313
Noninterest income			
Service charges on deposit accounts	16,894	16,470	15,833
Broker/ dealer and insurance revenue	3,186	6,782	6,869
Trust	5,029	4,605	4,041
Net securities (losses) gains	(1,236)	216	175
Bank owned life insurance	1,347	1,487	815
ATM/Debit card Fees	6,162	5,530	5,307
Retirement plan administration fees	4,426	-	-
Other	6,741	5,799	4,738
Total noninterest income	42,549	40,889	37,778
Noninterest expense			
Salaries and employee benefits	60,005	55,204	50,439
Occupancy	10,452	9,905	9,328
Equipment	8,118	7,573	7,627
Data processing and communications	10,349	10,972	10,752
Professional fees and outside services	6,087	6,175	5,433
Office supplies and postage	4,628	4,459	4,216
Amortization of intangible assets	544	284	620
Capital securities	-	-	732
Loan collection and other real estate owned	1,002	1,241	1,840
Goodwill impairment	-	1,950	-
Other	14,120	12,014	13,530
Total noninterest expense	115,305	109,777	104,517
Income before income tax expense	75,891	71,984	68,574
Income tax expense	23,453	21,937	21,470
Net income	\$ 52,438	\$ 50,047	\$ 47,104
Earnings per share			
Basic	\$ 1.62	\$ 1.53	\$ 1.45
Diluted	1.60	1.51	1.43

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity

Years ended December 31, 2005, 2004, and 2003 (In thousands except share and per share data)	Common stock	Additional Paid-in- capital	Unvested Restricted Stock	Retained earnings	Accumulated other comprehensive (loss)/ income	Common stock in treasury	Total
Balance at December 31, 2002	\$ 344	\$ 215,363	\$ (127)	\$ 90,165	\$ 16,531	\$ (29,894)	\$ 292,382
Net income	-	-	-	47,104	-	-	47,104
Cash dividends- \$0.68 per share	-	-	-	(22,173)	-	-	(22,173)
Purchase of 369,313 treasury shares	-	-	-	-	-	(6,489)	(6,489)
Issuance of 41,980 shares in exchange for 20,172 shares received as consideration for the exercise of incentive stock options	-	360	-	-	-	(360)	-
Net issuance of 494,948 shares to employee benefit plans and other stock plans, including tax benefit	-	912	-	(2,449)	-	9,212	7,675
Grant of 11,846 shares of restricted stock awards	-	1	(203)	-	-	202	-
Amortization of restricted stock awards	-	-	133	-	-	-	133
Other comprehensive loss	-	-	-	-	(8,598)	-	(8,598)
Balance at December 31, 2003	344	216,636	(197)	112,647	7,933	(27,329)	310,034
Net income	-	-	-	50,047	-	-	50,047
Cash dividends- \$0.74 per share	-	-	-	(24,251)	-	-	(24,251)
Purchase of 423,989 treasury shares	-	-	-	-	-	(9,149)	(9,149)
Net issuance of 458,593 shares to employee benefit plans and other stock plans, including tax benefit	-	1,317	-	(1,120)	-	8,103	8,300
Grant of 14,547 shares of restricted stock awards	-	59	(312)	-	-	253	-
Amortization of restricted stock awards	-	-	196	-	-	-	196
Forfeited 963 shares of restricted stock	-	-	17	-	-	(17)	-
Other comprehensive loss	-	-	-	-	(2,944)	-	(2,944)
Balance at December 31, 2004	344	218,012	(296)	137,323	4,989	(28,139)	332,233
Net income	-	-	-	52,438	-	-	52,438
Cash dividends- \$0.76 per share	-	-	-	(24,673)	-	-	(24,673)
Purchase of 1,008,114 treasury shares	-	-	-	-	-	(23,165)	(23,165)
Net issuance of 415,976 shares to employee benefit plans and other stock plans, including tax benefit	-	1,292	-	(1,099)	-	8,025	8,218
Grant of 35,003 shares of restricted stock awards	-	(147)	(519)	-	-	666	-
Amortization of restricted stock awards	-	-	358	-	-	-	358
Other comprehensive loss	-	-	-	-	(11,466)	-	(11,466)
Balance at December 31, 2005	\$ 344	\$ 219,157	\$ (457)	\$ 163,989	\$ (6,477)	\$ (42,613)	\$ 333,943

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

<i>(In thousands, except per share data)</i>	Years ended December 31,		
	2005	2004	2003
Operating activities			
Net income	\$ 52,438	\$ 50,047	\$ 47,104
Adjustments to reconcile net income to net cash provided by operating activities			
Provision for loan and lease losses	9,464	9,615	9,111
Depreciation and amortization of premises and equipment	6,296	6,057	6,507
Net accretion on securities	1,362	2,406	4,806
Amortization of intangible assets	544	284	620
Amortization of restricted stock awards	358	196	133
Bank owned life insurance income	(1,347)	(1,487)	(815)
Deferred income tax expense	743	7,602	6,357
Proceeds from sale of loans held for sale	24,690	19,541	8,886
Originations and purchases of loans held for sale	(27,674)	(2,631)	(2,812)
Net loss on disposal of premises and equipment	-	-	166
Net gains on sales of loans held for sale	(55)	(89)	-
Net security losses (gains)	1,236	(216)	(175)
Net gain on sales of other real estate owned	(351)	(909)	(927)
Tax benefit from exercise of stock options	1,057	1,336	1,294
Writedown of nonmarketable securities	-	-	620
Purchase of Bank owned life insurance	-	-	(30,000)
Goodwill impairment	-	1,950	-
Net decrease (increase) in other assets	1,803	2,164	(2,524)
Net (decrease) increase in other liabilities	(5,506)	696	(2,629)
Net cash provided by operating activities	65,058	96,562	45,722
Investing activities			
Net cash and cash equivalents provided by acquisitions	-	-	10,594
Cash paid for the acquisition of EPIC Advisors, Inc.	(6,129)	-	-
Cash received for the sale of M. Griffith Inc.	1,016	-	-
Securities available for sale:			
Proceeds from maturities, calls, and principal paydowns	173,460	262,999	458,327
Proceeds from sales	53,044	12,950	206,754
Purchases	(250,003)	(253,469)	(657,578)
Securities held to maturity:			
Proceeds from maturities, calls, and principal paydowns	44,624	55,770	53,991
Purchases	(56,654)	(40,388)	(68,752)
Net increase in loans	(156,998)	(254,985)	(296,981)
Net increase in Federal Reserve and FHLB stock	(3,417)	(2,799)	(10,344)
Purchases of premises and equipment, net	(6,055)	(7,357)	(7,827)
Proceeds from sales of other real estate owned	1,022	2,582	4,076
Net cash used in investing activities	(206,090)	(224,697)	(307,740)
Financing activities			
Net increase in deposits	86,358	72,487	66,011
Net increase in short-term borrowings	106,154	35,892	197,329
Proceeds from issuance of long-term debt	60,000	30,000	125,000
Repayments of long-term debt	(40,193)	(5,177)	(100,775)
Proceeds from the issuance of trust preferred debentures	5,155	-	-
Proceeds from the issuance of shares to employee benefit plans and other stock plans	7,161	6,964	6,381
Purchase of treasury stock	(23,165)	(9,149)	(6,489)
Cash dividends and payment for fractional shares	(24,673)	(24,251)	(22,173)
Net cash provided by financing activities	176,797	106,766	265,284
Net increase (decrease) in cash and cash equivalents	35,765	(21,369)	3,266
Cash and cash equivalents at beginning of year	106,723	128,092	124,826
Cash and cash equivalents at end of year	\$ 142,488	\$ 106,723	\$ 128,092
Supplemental disclosure of cash flow information			
Cash paid during the year for:			
Interest	\$ 76,563	\$ 60,181	\$ 64,334
Income taxes	23,582	10,696	12,700
Noncash investing activities:			
Transfer of loans to other real estate owned	\$ 360	\$ 885	\$ 1,363
Fair value of assets acquired	6,565	-	1,155
Fair value of assets sold	1,405	-	-
Fair value of liabilities assumed	435	-	13,311

Fair value of liabilities transferred	389	-	-
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See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

<i>(In thousands)</i>	Years ended December 31,		
	2005	2004	2003
Net income	\$ 52,438	\$ 50,047	\$ 47,104
Other comprehensive loss, net of tax			
Unrealized net holding losses arising during the year (pre-tax amounts of \$20,308, \$4,531 and \$13,764)	(12,209)	(2,724)	(8,276)
Minimum pension liability adjustment (pre-tax amounts of \$0, (\$147), and (\$362))	-	(89)	(217)
Less reclassification adjustment for net losses (gains) related to securities available for sale included in net income (pre-tax amounts of \$1,236, (\$216), and (\$174))	743	(131)	(105)
Total other comprehensive loss	(11,466)	(2,944)	(8,598)
Comprehensive income	\$ 40,972	\$ 47,103	\$ 38,506

See accompanying notes to consolidated financial statements

NBT BANCORP INC. AND SUBSIDIARIES:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of NBT Bancorp Inc. (Bancorp) and its subsidiaries, NBT Bank, N.A. (NBT Bank) and NBT Financial Services, Inc., conform, in all material respects, to accounting principles generally accepted in the United States of America (GAAP) and to general practices within the banking industry. Collectively, Bancorp and its subsidiaries are referred to herein as “the Company.”

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan and lease losses and the valuation of other real estate owned acquired in connection with foreclosures. In connection with the determination of the allowance for loan and lease losses and the valuation of other real estate owned, management obtains appraisals for properties.

The following is a description of significant policies and practices:

CONSOLIDATION

The accompanying consolidated financial statements include the accounts of Bancorp and its wholly owned subsidiaries mentioned above. All material intercompany transactions have been eliminated in consolidation. Amounts previously reported in the consolidated financial statements are reclassified whenever necessary to conform with the current year’s presentation. In the “Parent Company Financial Information,” the investment in subsidiaries is carried under the equity method of accounting.

The Company determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity under accounting principles generally accepted in the United States. Voting interest entities are entities in which the total equity investment at risk is sufficient to enable the entity to finance itself independently and provides the equity holders with the obligation to absorb losses, the right to receive residual returns and the right to make decisions about the entity’s activities. The Company consolidates voting interest entities in which it has all, or at least a majority of, the voting interest. As defined in applicable accounting standards, variable interest entities (VIEs) are entities that lack one or more of the characteristics of a voting interest entity. A controlling financial interest in an entity is present when an enterprise has a variable interest, or a combination of variable interests, that will absorb a majority of the entity’s expected losses, receive a majority of the entity’s expected residual returns, or both. The enterprise with a controlling financial interest, known as the primary beneficiary, consolidates the VIE. The Company’s wholly owned subsidiaries CNBF Capital Trust I and NBT Statutory Trust I are VIEs for which the Company is not the primary beneficiary. Accordingly, the accounts of these entities are not included in the Company’s consolidated financial statements.

SEGMENT REPORTING

The Company's operations are primarily in the community banking industry and include the provision of traditional banking services. The Company operates solely in the geographical regions of central and northern New York and northeastern Pennsylvania. The Company has identified separate operating segments; however, these segments did not meet the quantitative thresholds for separate disclosure.

CASH EQUIVALENTS

The Company considers amounts due from correspondent banks, cash items in process of collection, and institutional money market mutual funds to be cash equivalents for purposes of the consolidated statements of cash flows.

SECURITIES

The Company classifies its securities at date of purchase as either available for sale, held to maturity, or trading. Held to maturity debt securities are those that the Company has the ability and intent to hold until maturity. Available for sale securities are recorded at fair value. Unrealized holding gains and losses, net of the related tax effect, on available for sale securities are excluded from earnings and are reported in stockholders' equity as a component of accumulated other comprehensive income or loss. Held to maturity securities are recorded at amortized cost. Trading securities are recorded at fair value, with net unrealized gains and losses recognized currently in income. Transfers of securities between categories are recorded at fair value at the date of transfer. A decline in the fair value of any available for sale or held to maturity security below cost that is deemed other-than-temporary is charged to earnings resulting in the establishment of a new cost basis for the security. Securities with other-than-temporary impairment are generally placed on non-accrual status.

Nonmarketable equity securities are carried at cost, with the exception of investments owned by NBT Bank's small business investment company (SBIC) subsidiary, which are carried at fair value with net unrealized gains and losses recognized currently in income in accordance with SBIC rules.

Premiums and discounts are amortized or accreted over the life of the related security as an adjustment to yield using the interest method. Dividend and interest income are recognized when earned. Realized gains and losses on securities sold are derived using the specific identification method for determining the cost of securities sold.

Investments in Federal Reserve and Federal Home Loan Bank stock are required for membership in those organizations and are carried at cost since there is no market value available.

LOANS AND LEASES

Loans are recorded at their current unpaid principal balance, net of unearned income and unamortized loan fees and expenses, which are amortized under the effective interest method over the estimated lives of the loans. Interest income on loans is accrued based on the principal amount outstanding.

Lease receivables primarily represent automobile financing to customers through direct financing leases and are carried at the aggregate of the lease payments receivable and the estimated residual values, net of unearned income and net deferred lease origination fees and costs. Net deferred lease origination fees and costs are amortized under the effective interest method over the estimated lives of the leases. The estimated residual value related to the total lease portfolio is reviewed quarterly, and if there has been a decline in the estimated fair value of the total residual value that is judged by management to be other-than-temporary, a loss is recognized. Adjustments related to such other-than-temporary declines in estimated fair value are recorded in noninterest expense in the consolidated statements of income.

Loans and leases are placed on nonaccrual status when timely collection of principal and interest in accordance with contractual terms is doubtful. Loans and leases are transferred to a nonaccrual basis generally when principal or interest payments become ninety days delinquent, unless the loan is well secured and in the process of collection, or sooner when management concludes circumstances indicate that borrowers may be unable to meet contractual principal or interest payments. When a loan or lease is transferred to a nonaccrual status, all interest previously accrued in the current period but not collected is reversed against interest income in that period. Interest accrued in a prior period and not collected is charged-off against the allowance for loan and lease losses.

If ultimate repayment of a nonaccrual loan is expected, any payments received are applied in accordance with contractual terms. If ultimate repayment of principal is not expected, any payment received on a nonaccrual loan is applied to principal until ultimate repayment becomes expected. Nonaccrual loans are returned to accrual status when they become current as to principal and interest or demonstrate a period of performance under the contractual terms and, in the opinion of management, are fully collectible as to principal and interest. When in the opinion of management the collection of principal appears unlikely, the loan balance is charged-off in total or in part.

Commercial type loans are considered impaired when it is probable that the borrower will not repay the loan according to the original contractual terms of the loan agreement, and all loan types are considered impaired if the loan is restructured in a troubled debt restructuring.

A loan is considered to be a trouble debt restructured loan (TDR) when the Company grants a concession to the borrower because of the borrower's financial condition that it would not otherwise consider. Such concessions include the reduction of interest rates, forgiveness of principal or interest, or other modifications at interest rates that are less than the current market rate for new obligations with similar risk. TDR loans that are in compliance with their modified terms and that yield a market rate may be removed from the TDR status after a period of performance.

ALLOWANCE FOR LOAN AND LEASE LOSSES

The allowance for loan and lease losses is the amount which, in the opinion of management, is necessary to absorb probable losses inherent in the loan and lease portfolio. The allowance is determined based upon numerous considerations, including local economic conditions, the growth and composition of the loan portfolio with respect to the mix between the various types of loans and their related risk characteristics, a review of the value of collateral supporting the loans, comprehensive reviews of the loan portfolio by the independent loan review staff and management, as well as consideration of volume and trends of delinquencies, nonperforming loans, and loan charge-offs. As a result of the test of adequacy, required additions to the allowance for loan and lease losses are made periodically by charges to the provision for loan and lease losses.

The allowance for loan and lease losses related to impaired loans is based on discounted cash flows using the loan’s initial effective interest rate or the fair value of the collateral for certain loans where repayment of the loan is expected to be provided solely by the underlying collateral (collateral dependent loans). The Company’s impaired loans are generally collateral dependent. The Company considers the estimated cost to sell, on a discounted basis, when determining the fair value of collateral in the measurement of impairment if those costs are expected to reduce the cash flows available to repay or otherwise satisfy the loans.

Management believes that the allowance for loan and lease losses is adequate. While management uses available information to recognize loan and lease losses, future additions to the allowance for loan and lease losses may be necessary based on changes in economic conditions or changes in the values of properties securing loans in the process of foreclosure. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Company’s allowance for loan and lease losses. Such agencies may require the Company to recognize additions to the allowance for loan and lease losses based on their judgments about information available to them at the time of their examination which may not be currently available to management.

PREMISES AND EQUIPMENT

Premises and equipment are stated at cost, less accumulated depreciation. Depreciation of premises and equipment is determined using the straight-line method over the estimated useful lives of the respective assets. Expenditures for maintenance, repairs, and minor replacements are charged to expense as incurred.

OTHER REAL ESTATE OWNED

Other real estate owned (OREO) consists of properties acquired through foreclosure or by acceptance of a deed in lieu of foreclosure. These assets are recorded at the lower of fair value of the asset acquired less estimated costs to sell or “cost” (defined as the fair value at initial foreclosure). At the time of foreclosure, or when foreclosure occurs in-substance, the excess, if any, of the loan over the fair market value of the assets received, less estimated selling costs, is charged to the allowance for loan losses and any subsequent valuation write-downs are charged to other expense. Operating costs associated with the properties are charged to expense as incurred. Gains on the sale of OREO are included in income when title has passed and the sale has met the minimum down payment requirements prescribed by GAAP.

GOODWILL AND OTHER INTANGIBLE ASSETS

The Company accounts for goodwill and other intangible assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 142, “*Goodwill and Other Intangible Assets*.” Under Statement No. 142, goodwill and intangible assets that have indefinite useful lives are not amortized, but are tested at least annually for impairment. Intangible assets that have finite useful lives, such as core deposit intangibles, continue to be amortized over their useful lives. Core deposit intangibles are amortized over a maximum of 10 years using the straight-line methods for all periods presented.

When facts and circumstances indicate potential impairment of amortizable intangible assets, the Company evaluates the recoverability of the asset carrying value, using estimates of undiscounted future cash flows over the remaining asset life. Any impairment loss is measured by the excess of carrying value over fair value. Goodwill impairment tests are performed on an annual basis or when events or circumstances dictate. In these tests, the fair values of each reporting unit, or segment, is compared to the carrying amount of that reporting unit in order to determine if impairment is indicated. If so, the implied fair value of the reporting unit’s goodwill is compared to its carrying amount and the impairment loss is measured by the excess of the carrying value over fair value.

TREASURY STOCK

Treasury stock acquisitions are recorded at cost. Subsequent sales of treasury stock are recorded on an average cost basis. Gains on the sale of treasury stock are credited to additional paid-in-capital. Losses on the sale of treasury stock are charged to additional paid-in-capital to the extent of previous gains, otherwise charged to retained earnings.

INCOME TAXES

Income taxes are accounted for under the asset and liability method. The Company files a consolidated tax return on the accrual basis. Deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

STOCK-BASED COMPENSATION

The Company accounts for its stock-based compensation plans in accordance with the provisions of Accounting Principles Board (APB) Opinion No. 25, “*Accounting for Stock Issued to Employees*,” and related interpretations. On January 1, 1996, The Company adopted SFAS No. 123, “*Accounting for Stock-Based Compensation*” (SFAS No.123), which permits entities to recognize as expense over the vesting period the estimated fair value of all stock based awards measured on the date of grant. Alternatively, SFAS No. 123 allows entities to continue to apply the provisions of APB Opinion No. 25 and provide pro forma net income and pro forma net income per share disclosures for employee stock-based grants made in 1995 and thereafter as if the fair value based method defined in SFAS No. 123 had been applied. The Company has elected to continue to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosures of SFAS No. 123.

At December 31, 2005, the Company had two stock option plans (Plans). Under the terms of the Plans, options are granted to directors and key employees to purchase shares of the Company's common stock at a price equal to the fair market value of the common stock on the date of the grant. Options granted have a vesting period of four years and terminate eight or ten years from the date of the grant.

The per share weighted average fair value of stock options granted during 2005, 2004, and 2003 was \$5.88, \$5.81, and \$4.03, respectively. The fair value of each award is estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in the years ended December 31:

	Years ended December 31,		
	2005	2004	2003
Dividend yield	3.05%-3.70%	3.01%-3.74%	3.11%-3.97%
Expected volatility	28.67%-30.00%	29.82%-31.65%	31.34%-31.45%
Risk-free interest rates	3.85%-4.36%	3.56%-4.41%	2.98%-3.98%
Expected life	7 years	7 years	7 years

Had the Company determined compensation cost based on the estimated fair value at the grant date for its stock options under SFAS No. 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

	Years ended December 31,		
	2005	2004	2003
Net income			
As reported	\$ 52,438	\$ 50,047	\$ 47,104
Add: Stock-based compensation expense included in reported net income, net of related tax effects	370	119	80
Deduct: Total stock-based compensation expense determined under fair value based methods for all awards, net of related tax effects	(1,571)	(1,215)	(1,072)
Pro forma net income	\$ 51,237	\$ 48,951	\$ 46,112
Basic earnings per share			
As reported	\$ 1.62	\$ 1.53	\$ 1.45
Pro forma	1.58	1.50	1.42
Diluted earnings per share			
As reported	1.60	1.51	1.43
Pro forma	1.56	1.48	1.40

The Company expects to adopt the provisions of SFAS No. 123, “Share-Based Payment (Revised 2004),” on January 1, 2006. Among other things, SFAS No. 123R eliminates the ability to account for stock-based compensation using APB No. 25 and requires that such transactions be recognized as compensation cost in the income statement based on their fair values on the date of grant. SFAS No. 123R is effective for the Company on January 1, 2006. See Note 1 - New Accounting Pronouncement - Share-Based Payment for additional information.

PER SHARE AMOUNTS

Basic earnings per share (EPS) excludes dilution and is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity (such as the Company’s dilutive stock options and restricted stock).

OTHER FINANCIAL INSTRUMENTS

The Company is a party to certain other financial instruments with off-balance-sheet risk such as commitments to extend credit, unused lines of credit, as well as certain mortgage loans sold to investors with recourse. The Company’s policy is to record such instruments when funded.

COMPREHENSIVE INCOME

At the Company, comprehensive income represents net income plus other comprehensive income, which consists of the net change in unrealized gains or losses on securities available for sale, and minimum pension liability, net of income taxes, for the period. Accumulated other comprehensive (loss) income represents the net unrealized gains or losses on securities available for sale, net of income taxes, as of the consolidated balance sheet dates.

PENSION COSTS

The Company maintains a noncontributory, defined benefit pension plan covering substantially all employees, as well as supplemental employee retirement plans covering certain executives. Costs associated with these plans, based on actuarial computations of current and future benefits for employees, are charged to current operating expenses.

TRUST

Assets held by the Company in a fiduciary or agency capacity for its customers are not included in the accompanying consolidated balance sheets, since such assets are not assets of the Company. Such assets totaled \$2.2 billion and \$2.0 billion at December 31, 2005 and 2004, respectively. Trust income is recognized on the accrual method based on contractual rates applied to the balances of trust accounts.

New Accounting Pronouncement - Accounting Changes and Error Corrections

SFAS No. 154, “Accounting Changes and Error Corrections, a Replacement of APB Opinion No. 20 and FASB Statement No. 3.” SFAS 154 establishes, unless impracticable, retrospective application as the required method for reporting a change in accounting principle in the absence of explicit transition requirements specific to a newly adopted accounting principle. Previously, most changes in accounting principle were recognized by including the cumulative effect of changing to the new accounting principle in net income of the period of the change. Under SFAS 154, retrospective application requires (i) the cumulative effect of the change to the new accounting principle on periods prior to those presented to be reflected in the carrying amounts of assets and liabilities as of the beginning of the first period presented, (ii) an offsetting adjustment, if any, to be made to the opening balance of retained earnings (or other appropriate components of equity) for that period, and (iii) financial statements for each individual prior period presented to be adjusted to reflect the direct period-specific effects of applying the new accounting principle. Special retroactive application rules apply in situations where it is impracticable to determine either the period-specific effects or the cumulative effect of the change. Indirect effects of a change in accounting principle are required to be reported in the period in which the accounting change is made. SFAS 154 carries forward the guidance in APB Opinion 20 “Accounting Changes,” requiring justification of a change in accounting principle on the basis of preferability. SFAS 154 also carries forward without change the guidance contained in APB Opinion 20, for reporting the correction of an error in previously issued financial statements and for a change in an accounting estimate. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company does not expect SFAS 154 will significantly impact its financial statements upon its adoption on January 1, 2006.

New Accounting Pronouncement - Share-Based Payments

SFAS No. 123, “Share-Based Payment (Revised 2004).” SFAS 123R establishes standards for the accounting for transactions in which an entity (i) exchanges its equity instruments for goods or services, or (ii) incurs liabilities in exchange for goods or services that are based on the fair value of the entity’s equity instruments or that may be settled by the issuance of the equity instruments. SFAS 123R eliminates the ability to account for stock-based compensation using APB 25 and requires that such transactions be recognized as compensation cost in the income statement based on their fair values on the measurement date, which is generally the date of the grant. SFAS 123R was to be effective for the Company on July 1, 2005; however, the required implementation date was delayed until January 1, 2006. The Company will transition to fair-value based accounting for stock-based compensation using a modified version of prospective application (“modified prospective application”). Under modified prospective application, as it is applicable to the Company, SFAS 123R applies to new awards and to awards modified, repurchased, or cancelled after January 1, 2006. Additionally, compensation cost for the portion of awards for which the requisite service has not been rendered (generally referring to non-vested awards) that are outstanding as of January 1, 2006 must be recognized as the remaining requisite service is rendered during the period of and/or the periods after the adoption of SFAS 123R. The attribution of compensation cost for those earlier awards will be based on the same method and on the same grant-date fair values previously determined for the pro forma disclosures required for companies that did not adopt the fair value accounting method for stock-based employee compensation. Based on the stock-based compensation awards related to stock options outstanding as of December 31, 2005 for which the requisite service is not expected to be fully rendered prior to January 1, 2006 and new awards granted in 2006, the Company expects to recognize total pre-tax, quarterly compensation cost of approximately \$530 thousand, beginning in the first quarter of 2006, in accordance with the accounting requirements of SFAS 123R. Future levels of compensation cost recognized related to stock-based compensation awards (including the aforementioned expected costs during the period of adoption) may be impacted by new awards and/or modifications, repurchases and cancellations of existing awards before and after the adoption SFAS 123R.

New Accounting Pronouncement - The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments

FASB Staff Position (FSP) No. 115-1, “The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments.” FSP 115-1 provides guidance for determining when an investment is considered impaired, whether impairment is other-than-temporary, and measurement of an impairment loss. An investment is considered impaired if the fair value of the investment is less than its cost. If, after consideration of all available evidence to evaluate the realizable value of its investment, impairment is determined to be other-than-temporary, then an impairment loss should be recognized equal to the difference between the investment’s cost and its fair value. FSP 115-1 nullifies certain provisions of Emerging Issues Task Force (EITF) Issue No. 03-1, “The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments,” while retaining the disclosure requirements of EITF 03-1 which were adopted in 2003. FSP 115-1 is effective for reporting periods beginning after December 15, 2005. The Company does not expect FSP 115-1 will significantly impact its financial statements upon its adoption on January 1, 2006.

(2) MERGER AND ACQUISITION ACTIVITY

A) EPIC Advisors, Inc.

In January 2005, the Company acquired EPIC Advisors, Inc., a 401(k) record keeping firm located in Rochester, NY. In that transaction, the Company recorded customer relationship intangible assets of \$2.1 million and non-compete provision intangible assets of \$0.2 million, which have amortization periods of 13 years and 5 years, respectively. Also in connection with the acquisition, the Company recorded \$3.0 million in goodwill.

B) M. Griffith Inc.

In March 2005, the Company sold its broker/dealer subsidiary, M. Griffith Inc. In connection with the sale of M. Griffith Inc., goodwill was reduced by \$1.1 million and was allocated against the sales price. In the fourth quarter of 2004, the Company recorded a \$2.0 million goodwill impairment charge in connection with the above mentioned sale. A definitive agreement was signed by the Company and the acquirer in the fourth quarter of 2004. The negotiation and resolution of sale terms for M. Griffith Inc. during the fourth quarter of 2004 resulted in the goodwill impairment charge.

C) CNB Bancorp, Inc. (unaudited)

As of December 31, 2005, the transaction detailed below was pending.

On February 10, 2006, the Company acquired CNB Bancorp, Inc. ("CNB"), a bank holding company headquartered in Gloversville, New York. The acquisition was accomplished by merging CNB with and into the Company (the "Merger"). By virtue of this acquisition, CNB's banking subsidiary, City National Bank and Trust Company was merged with and into NBT Bank, N.A. City National Bank and Trust Company operated 9 full-service community banking offices - located in Fulton, Hamilton, Montgomery and Saratoga counties, with approximately \$400 million in assets. The Merger increases the Company's assets to approximately \$4.9 billion.

In connection with the Merger, the Company issued an aggregate of 2.1 million shares of Company common stock and \$39 million in cash to the former holders of CNB common stock. In connection with acquisition of CNB, the Company formed NBT Statutory Trust II ("Trust II") in February 2006 to fund the cash portion of the acquisition as well as to provide regulatory capital. The Company raised \$51.5 million through Trust II in February 2006.

CNB nonqualified stock options, entitling holders to purchase CNB common stock outstanding, were cancelled on the closing date and such option holders received an option payment subject to the terms of the merger agreement. The total number of CNB nonqualified stock options that were canceled was 103,545, which resulted in a cash payment to option holders before any applicable federal or state withholding tax, of approximately \$1.3 million. In accordance with the terms of the merger agreement, all outstanding CNB incentive stock options as of the effective date were assumed by the Company. At that time, there were 144,686 CNB incentive stock options that were exchanged for 237,278 replacement incentive stock options of the Company.

Based on the \$22.42 per share closing price of the Company's common stock on February 10, 2006, the transaction is valued at approximately \$88 million.

(3) EARNINGS PER SHARE

The following is a reconciliation of basic and diluted earnings per share for the years presented in the consolidated statements of income:

	Years ended December 31,								
	2005			2004			2003		
	Net income	Weighted average shares	Per share amount	Net income	Weighted average shares	Per share amount	Net income	Weighted average shares	Per share amount
<i>(In thousands, except per share data)</i>									
Basic earnings per share	\$ 52,438	32,437	\$ 1.62	\$ 50,047	32,739	\$ 1.53	\$ 47,104	32,540	\$ 1.45
<i>Effect of dilutive securities</i>									
Stock based compensation		265			336			285	
Contingent shares		8			12			19	
Diluted earnings per share	\$ 52,438	<u>32,710</u>	\$ 1.60	\$ 50,047	<u>33,087</u>	\$ 1.51	\$ 47,104	<u>32,844</u>	\$ 1.43

There were approximately 386,000, 5,000, and 229,000 weighted average stock options for the years ended December 31, 2005, 2004, and 2003, respectively, that were not considered in the calculation of diluted earnings per share since the stock options' exercise prices were greater than the average market price during these periods.

(4) FEDERAL RESERVE BANK REQUIREMENT

The Company is required to maintain reserve balances with the Federal Reserve Bank. The required average total reserve for NBT Bank for the 14-day maintenance period ending December 21, 2005 was \$59.5 million.

(5) SECURITIES

The amortized cost, estimated fair value, and unrealized gains and losses of securities available for sale are as follows:

<i>(In thousands)</i>	Amortized cost	Unrealized gains	Unrealized losses	Estimated fair value
December 30, 2001				
U.S. Treasury	\$ 10,005	\$ -	\$ -	10,005
Federal Agency	236,410	41	3,015	233,436
State & municipal	76,574	2,861	30	79,405
Mortgage-backed	448,496	1,186	10,517	439,165
Collateralized mortgage obligations	178,263	-	4,284	173,979
Corporate	1,184	137	-	1,321
Other securities	13,806	3,394	37	17,163
Total securities available for sale	\$ 964,738	\$ 7,619	\$ 17,883	\$ 954,474
December 30, 2000				
U.S. Treasury	\$ 10,037	\$ 1	\$ 61	\$ 9,976
Federal Agency	120,511	381	773	120,119
State & municipal	79,848	4,906	-	84,754
Mortgage-backed	574,417	5,072	2,774	576,715
Collateralized mortgage obligations	135,202	592	811	134,983
Corporate	1,183	133	-	1,316
Other securities	22,537	2,640	498	24,679
Total securities available for sale	\$ 943,735	\$ 13,725	\$ 4,917	\$ 952,542

In the available for sale category at December 31, 2005, federal agency securities were comprised of Government-Sponsored Enterprise (“GSE”) securities; Mortgaged-backed securities were comprised of GSEs with an amortized cost of \$395.5 million and a fair value of \$386.0 million and US Government Agency securities with an amortized cost of \$53.0 million and a fair value of \$53.2 million; Collateralized mortgage obligations were comprised of GSEs with an amortized cost of \$102.6 million and a fair value of \$100.2 million and US Government Agency securities with an amortized cost of \$75.7 million and a fair value of \$73.8 million.

The following table sets forth information with regard to sales transactions of securities available for sale:

(In thousands)	Years ended December 31		
	2005	2004	2003
Proceeds from sales	\$ 53,044	\$ 12,950	\$ 206,742
Gross realized gains	\$ 816	\$ 457	\$ 4,339
Gross realized losses	(2,052)	(241)	(4,164)
Net securities (losses) gains	\$ (1,236)	\$ 216	\$ 175

At December 31, 2005 and 2004, securities available for sale with amortized costs totaling \$887.4 million and \$881.8 million, respectively, were pledged to secure public deposits and for other purposes required or permitted by law. Additionally, at December 31, 2005, securities available for sale with an amortized cost of \$74.7 million were pledged as collateral for securities sold under the repurchase agreements.

The amortized cost, estimated fair value, and unrealized gains and losses of securities held to maturity are as follows:

(In thousands)	Amortized cost	Unrealized gains	Unrealized losses	Estimated fair value
December 30, 2001				
Mortgage-backed	\$ 4,354	\$ 128	\$ -	\$ 4,482
State & municipal	87,582	352	488	87,446
Other securities	1,773	-	-	1,773
Total securities held to maturity	\$ 93,709	\$ 480	\$ 488	\$ 93,701
December 30, 2000				
Mortgage-backed	\$ 6,412	\$ 294	\$ -	\$ 6,706
State & municipal	75,128	772	136	75,764
Other securities	242	-	-	242
Total securities held to maturity	\$ 81,782	\$ 1,066	\$ 136	\$ 82,712

At December 31, 2005, all of the mortgaged-backed securities held to maturity were comprised of US Government Agency securities.

Other securities include nonmarketable equity securities, including certain securities acquired by NBT Bank's small business investment company (SBIC) subsidiary, and trust preferred securities.

The following table sets forth information with regard to investment securities with unrealized losses at December 31, 2005, segregated according to the length of time the securities had been in a continuous unrealized loss position:

Security Type:	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized losses	Fair Value	Unrealized losses	Fair Value	Unrealized losses
Mortgage-backed	\$ 172,102	\$ (2,495)	\$ 386,371	\$ (12,298)	\$ 558,473	\$ (14,793)
Federal agency	163,016	(1,924)	59,966	(1,094)	222,982	(3,018)
State and municipal	22,781	(235)	9,053	(285)	31,834	(520)
Total securities with unrealized losses	\$ 357,899	\$ (4,654)	\$ 455,390	\$ (13,677)	\$ 813,289	\$ (18,331)

At December 31, 2004, the Company had \$110.6 million of mortgaged-backed securities with unrealized losses of \$2.5 million twelve months or longer and \$3.2 million of state and municipal securities with unrealized losses of \$0.1 million twelve months or longer.

Declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers, among other things, (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near-term prospects of the issuer, and (iii) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Management has the ability and intent to hold the securities classified as held to maturity until they mature, at which time the Company will receive full value for the securities. Furthermore, as of December 31, 2005, management also had the ability and intent to hold the securities classified as available for sale for a period of time sufficient for a recovery of cost. The unrealized losses are largely due to increases in market interest rates over the yields available at the time the underlying securities were purchased. The fair value is expected to recover as the bonds approach their maturity date or repricing date or if market yields for such investments decline. Management does not believe any of the securities are impaired due to reasons of credit quality. Accordingly, as of December 31, 2005, management believes the impairments detailed in the table above are temporary and no impairment loss has been realized in the Company's consolidated income statement.

The following tables set forth information with regard to contractual maturities of debt securities at December 31, 2005:

<i>(In thousands)</i>	Amortized cost	Estimated fair value
<i>Debt securities classified as available for sale</i>		
Within one year	\$ 45,264	\$ 44,914
From one to five years	217,765	215,440
From five to ten years	89,812	89,840
After ten years	598,091	587,117
	<u>\$ 950,932</u>	<u>\$ 937,311</u>
<i>Debt securities classified as held to maturity</i>		
Within one year	\$ 26,451	\$ 26,452
From one to five years	31,724	31,526
From five to ten years	19,360	19,169
After ten years	16,174	16,554
	<u>\$ 93,709</u>	<u>\$ 93,701</u>

Maturities of mortgage-backed, collateralized mortgage obligations and asset-backed securities are stated based on their estimated average lives. Actual maturities may differ from estimated average lives or contractual maturities because, in certain cases, borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

Except for U.S. Government securities, there were no holdings, when taken in the aggregate, of any single issues that exceeded 10% of consolidated stockholders' equity at December 31, 2005 and 2004.

(6) LOANS AND LEASES AND ALLOWANCE FOR LOAN AND LEASE LOSSES

A summary of loans and leases, net of deferred fees and origination costs, by category is as follows:

<i>(In thousands)</i>	At December 31,	
	2005	2004
Residential real estate mortgages	\$ 701,734	\$ 721,615
Commercial and commercial real estate mortgages	1,032,977	1,018,548
Real estate construction and development	163,863	136,934
Agricultural and agricultural real estate mortgages	114,043	108,181
Consumer	463,955	412,139
Home equity	463,848	391,807
Lease financing	82,237	80,697
Total loans and leases	<u>\$ 3,022,657</u>	<u>\$ 2,869,921</u>

FHLB advances are collateralized by a blanket lien on the Company's residential real estate mortgages.

Changes in the allowance for loan and lease losses for the three years ended December 31, 2005, are summarized as follows:

<i>(In thousands)</i>	Years ended December 31,		
	2005	2004	2003
Balance at January 1	\$ 44,932	\$ 42,651	\$ 40,167
Provision	9,464	9,615	9,111
Recoveries	4,078	4,272	5,216
Charge-offs	(11,019)	(11,606)	(11,843)
Balance at December 31	<u>\$ 47,455</u>	<u>\$ 44,932</u>	<u>\$ 42,651</u>

The following table sets forth information with regard to nonperforming loans:

<i>(In thousands)</i>	At December 31,		
	2005	2004	2003
Loans in nonaccrual status	\$ 13,419	\$ 14,991	\$ 13,861
Loans contractually past due 90 days or more and still accruing interest	878	1,186	968
Total nonperforming loans	\$ 14,297	\$ 16,177	\$ 14,829

There were no material commitments to extend further credit to borrowers with nonperforming loans. There are no loans classified as troubled debt restructures at December 31, 2005, 2004, and 2003.

Accumulated interest on the above nonaccrual loans of approximately \$0.5 million, \$1.0 million, and \$1.7 million would have been recognized as income in 2005, 2004, and 2003, respectively, had these loans been in accrual status. Approximately \$0.4 million, \$0.8 million, and \$1.2 million of interest on the above nonaccrual loans was collected in 2005, 2004, and 2003, respectively.

Impaired loans, which primarily consist of nonaccruing commercial type loans decreased slightly, totaling \$9.4 million at December 31, 2005 as compared to \$10.5 million at December 31, 2004. At December 31, 2005, \$2.9 million of the total impaired loans had a specific reserve allocation of \$0.0 million or 0% compared to \$0.5 million of total impaired loans at December 31, 2004 which had a specific reserve allocation of \$0.2 million or 30%.

The following provides additional information on impaired loans for the periods presented:

<i>(In thousands)</i>	Years ended December 31,		
	2005	2004	2003
Average recorded investment on impaired loans	\$ 9,908	\$ 9,478	\$ 12,741
Interest income recognized on impaired loans	207	499	608
Cash basis interest income recognized on impaired loans	207	499	608

RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Company has made loans at prevailing rates and terms to directors, officers, and other related parties. Such loans, in management's opinion, do not present more than the normal risk of collectibility or incorporate other unfavorable features. The aggregate amount of loans outstanding to qualifying related parties and changes during the years are summarized as follows:

<i>(In thousands)</i>	2005		2004	
Balance at January 1	\$	16,820	\$	16,394
New loans		2,823		7,942
Repayments		(3,737)		(7,516)
Balance at December 31	\$	15,906	\$	16,820

(7) PREMISES AND EQUIPMENT, NET

A summary of premises and equipment follows:

<i>(In thousands)</i>	December 31, 2005		2004	
Land, buildings, and improvements	\$	76,889	\$	74,948
Equipment		62,497		58,671
Construction in progress		236		198
		139,622		133,817
Accumulated depreciation		75,929		70,074
Total premises and equipment	\$	63,693	\$	63,743

Land, buildings, and improvements with a carrying value of approximately \$3.8 million and \$4.0 million at December 31, 2005 and 2004, respectively, are pledged to secure long-term borrowings.

Rental expense included in occupancy expense amounted to \$3.0 million in 2005, \$2.7 million in 2004, and \$2.4 million in 2003. The future minimum rental payments related to noncancelable operating leases with original terms of one year or more are as follows at December 31, 2005 (in thousands):

Future Minimum Rental Payments

2006	\$	2,590
2007		2,341
2008		1,804
2009		1,384
2010		1,031
Thereafter		6,620
Total		15,770

(8) GOODWILL AND OTHER INTANGIBLE ASSETS

A summary of goodwill by operating subsidiaries follows:

<i>(In thousands)</i>	January 1, 2005	Goodwill Acquired	Goodwill Disposed	Impairment Loss	December 31, 2005
NBT Bank, N.A.	\$ 44,520	\$ -	\$ -	\$ -	\$ 44,520
NBT Financial Services, Inc.	1,050	3,024	1,050	-	3,024
Total	\$ 45,570	\$ 3,024	\$ 1,050	\$ -	\$ 47,544

	January 1, 2004	Goodwill Acquired	Goodwill Disposed	Impairment Loss	December 31, 2004
NBT Bank, N.A.	\$ 44,520	\$ -	\$ -	\$ -	\$ 44,520
NBT Financial Services, Inc.	3,001	-	-	1,951	1,050
Total	\$ 47,521	\$ -	\$ -	\$ 1,951	\$ 45,570

In January 2005, the Company acquired EPIC Advisors, Inc., a 401(k) record keeping firm located in Rochester, NY. In that transaction, the Company recorded customer relationship intangible assets of \$2.1 million and non-compete provision intangible assets of \$0.2 million, which have amortization periods of 13 years and 5 years, respectively. Also in connection with the acquisition, the Company recorded \$3.0 million in goodwill.

In March 2005, the Company sold its broker/dealer subsidiary, M. Griffith Inc. In connection with the sale of M. Griffith Inc., goodwill was reduced by \$1.1 million and was allocated against the sales price. In the fourth quarter of 2004, the Company recorded a \$2.0 million goodwill impairment charge in connection with the above mentioned sale. A definitive agreement was signed by the Company and the acquirer in the fourth quarter of 2004. The negotiation and resolution of sale terms for M. Griffith Inc. during the fourth quarter of 2004 resulted in the goodwill impairment charge.

The Company has intangible assets with definite useful lives capitalized on its consolidated balance sheet in the form of core deposit and identified intangible assets. These intangible assets continue to be amortized over their estimated useful lives in accordance with SFAS No. 142, which range from one to twenty-five years. There were no adjustments to the useful lives of these intangible assets as a result of the adoption of SFAS No. 142.

A summary of core deposit and other intangible assets follows:

(In thousands)	December 31,	
	2005	2004
<i>Core deposit intangibles</i>		
Gross carrying amount	\$ 2,186	\$ 2,186
Less: accumulated amortization	1,561	1,329
Net carrying amount	625	857
<i>Identified intangible assets</i>		
Gross carrying amount	3,196	857
Less: accumulated amortization	530	218
Net carrying amount	2,666	639
Intangibles that will not amortize	517	517
<i>Total intangibles with definite useful lives</i>		
Gross carrying amount	5,899	3,560
Less: accumulated amortization	2,091	1,547
Net carrying amount	\$ 3,808	\$ 2,013

Amortization expense on intangible assets with definite useful lives totaled \$0.5 million for 2005, \$0.3 million for 2004 and \$0.6 million for 2003.

Amortization expense on intangible assets with definite useful lives is expected to total \$0.5 million for 2006, 2007, and 2008, and \$0.3 million for 2009 and 2010.

(9) DEPOSITS

The following table sets forth the maturity distribution of time deposits at December 31, 2005 (in thousands):

Time deposits

Within one year	\$	775,911
After one but within two years		304,635
After two but within three years		119,564
After three but within four years		22,376
After four but within five years		10,722
After five years		8,400
Total	\$	<u>1,241,608</u>

Time deposits of \$100,000 or more aggregated \$591.8 million and \$477.8 million at year end 2005 and 2004, respectively.

(10) SHORT-TERM BORROWINGS

Short-term borrowings total \$445.0 million and \$338.8 million at December 31, 2005 and 2004, respectively, and consist of Federal funds purchased and securities sold under repurchase agreements, which generally represent overnight borrowing transactions, and other short-term borrowings, primarily Federal Home Loan Bank (FHLB) advances, with original maturities of one year or less. The Company has unused lines of credit with the FHLB available for short-term financing and access to brokered deposits of approximately \$594 million and \$545 million at December 31, 2005 and 2004, respectively.

Included in the information provided above, the Company has two lines of credit available with the FHLB, which are automatically renewed on July 30th of each year. The first is an overnight line of credit for approximately \$100.0 million with interest based on existing market conditions. The second is a one-month overnight repricing line of credit for approximately \$100.0 million with interest based on existing market conditions. As of December 31, 2005, there was \$87.5 million (included in federal funds purchased) outstanding on these lines of credit. Borrowings on these lines are secured by FHLB stock, certain securities and one-to-four family first lien mortgage loans. Securities collateralizing repurchase agreements are held in safekeeping by nonaffiliated financial institutions and are under the Company's control.

Information related to short-term borrowings is summarized as follows:

<i>(In thousands)</i>	2005		2004		2003
<i>Federal funds purchased</i>					
Balance at year-end	\$	145,000	\$	65,000	\$ 59,000
Average during the year		84,845		62,436	55,797
Maximum month end balance		145,000		106,000	89,000
Weighted average rate during the year		3.55%		1.48%	1.22%
Weighted average rate at December 31		4.30%		2.36%	1.14%
<i>Securities sold under repurchase agreements</i>					
Balance at year-end	\$	74,727	\$	73,573	\$ 68,681
Average during the year		82,658		76,120	68,044
Maximum month end balance		91,409		93,000	101,192
Weighted average rate during the year		1.86%		0.93%	1.02%
Weighted average rate at December 31		2.82%		0.92%	0.92%
<i>Other short-term borrowings</i>					
Balance at year-end	\$	225,250	\$	200,250	\$ 175,250
Average during the year		186,141		163,720	66,491
Maximum month end balance		225,250		200,250	175,250
Weighted average rate during the year		3.46%		1.49%	1.20%
Weighted average rate at December 31		4.41%		2.41%	1.20%

(11) LONG-TERM DEBT

Long-term debt consists of obligations having an original maturity at issuance of more than one year. A majority of the Company's long-term debt is comprised of FHLB advances collateralized by the FHLB stock owned by the Company, certain of its mortgage-backed securities and a blanket lien on its residential real estate mortgage loans. A summary as of December 31, 2005 is as follows:

As of December 31, 2005				
Maturity	Amount	Weighted Average Rate	Callable Amount	Weighted Average Rate
2006	85,000	4.23%	-	0.00%
2007	65,000	2.84%	25,000	3.02%
2008	115,261	3.82%	35,000	5.29%
2009	75,000	5.25%	75,000	5.25%
2010	25,000	3.07%	25,000	3.07%
2013	25,000	3.21%	25,000	3.21%
2014	20,000	3.39%	20,000	3.39%
2025	4,069	2.75%	-	
	<u>\$ 414,330</u>		<u>\$ 205,000</u>	

(12) Trust Preferred Debentures

The Company has issued a total of \$23.9 million of junior subordinated deferrable interest debentures to two wholly owned Delaware statutory business trusts, CNBF Capital Trust I ("CNBF Trust I") and NBT Statutory Trust I ("NBT Trust I") and collectively referred to as the ("Trusts"). The trusts are considered variable interest entities for which the Company is not the primary beneficiary. Accordingly, the accounts of the trusts are not included in the Company's consolidated financial statements. See Note 1 — Summary of Significant Accounting Policies for additional information about the Company's consolidation policy. Details of the Company's transactions with these trusts are presented below.

In June 1999, CNBF Trust I issued \$18 million of floating rate (three-month LIBOR plus 275 basis points) trust preferred securities, which represent beneficial interests in the assets of the trust. The trust preferred securities will mature on August 31, 2029 and are redeemable with the approval of the Federal Reserve Board in whole or in part at the option of the Company at any time after September 1, 2009 and in whole at any time upon the occurrence of certain events affecting their tax or regulatory capital treatment. Distributions on the trust preferred securities are payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year. CNBF Trust I also issued \$0.7 million of common equity securities to the Company. The proceeds of the offering of the trust preferred securities and common equity securities were used to purchase \$18.7 million of floating rate (three-month LIBOR plus 275 basis points) junior subordinated deferrable interest debentures issued by the Company, which have terms substantially similar to the trust preferred securities.

In November 2005, NBT Trust I issued \$5 million of fixed rate (at 6.30%) trust preferred securities, which represent beneficial interests in the assets of the trust. The trust preferred securities will mature on December 1, 2035 and are redeemable with the approval of the Federal Reserve Board in whole or in part at the option of the Corporation at any time after December 1, 2010 and in whole at any time upon the occurrence of certain events affecting their tax or regulatory capital treatment. Distributions on the trust preferred securities are payable quarterly in arrears on March 15, June 15, September 15 and December 15 of each year. NBT Trust I also issued \$0.2 million of common equity securities to the Company. The proceeds of the offering of the trust preferred securities and common equity securities were used to purchase \$5.2 million of fixed rate (at 6.30%) junior subordinated deferrable interest debentures issued by the Corporation, which have terms substantially similar to the trust preferred securities.

In connection with the acquisition of CNB, the Company formed NBT Statutory Trust II (“Trust II”) in February 2006 to fund the cash portion of the acquisition as well as to provide regulatory capital. The Company raised \$51.5 million through Trust II in February 2006 at a fixed rate of 6.195% for five years, variable rate thereafter at 3-mos LIBOR plus 140 bp; callable after five years.

The Company has the right to defer payments of interest on the debentures at any time or from time to time for a period of up to ten consecutive semi-annual periods with respect to each deferral period in the case of the debentures issued to the Trusts. Under the terms of the debentures, in the event that under certain circumstances there is an event of default under the debentures or the Company has elected to defer interest on the debentures, the Company may not, with certain exceptions, declare or pay any dividends or distributions on its capital stock or purchase or acquire any of its capital stock.

Payments of distributions on the trust preferred securities and payments on redemption of the trust preferred securities are guaranteed by the Company on a limited basis. The Company also entered into an agreement as to expenses and liabilities with the Trusts pursuant to which it agreed, on a subordinated basis, to pay any costs, expenses or liabilities of each trust other than those arising under the trust preferred securities. The obligations of the Company under the junior subordinated debentures, the related indentures, the trust agreements establishing the trusts, the guarantees and the agreements as to expenses and liabilities, in the aggregate, constitute a full and unconditional guarantee by the Company of each trust’s obligations under the trust preferred securities.

Despite the fact that the accounts of CNBF Trust I and NBT Trust I are not included in the Company’s consolidated financial statements, the \$22 million of the \$23 million in trust preferred securities issued by these subsidiary trusts are included in the Tier 1 capital of the Company for regulatory capital purposes as allowed by the Federal Reserve Board (NBT Bank, NA owns \$1.0 million of CNBF Trust I securities). In February 2005, the Federal Reserve Board issued a final rule that allows the continued inclusion of trust preferred securities in the Tier 1 capital of bank holding companies. The Board’s final rule limits the aggregate amount of restricted core capital elements (which includes trust preferred securities, among other things) that may be included in the Tier 1 capital of most bank holding companies to 25% of all core capital elements, including restricted core capital elements, net of goodwill less any associated deferred tax liability. Large, internationally active bank holding companies (as defined) are subject to a 15% limitation. Amounts of restricted core capital elements in excess of these limits generally may be included in Tier 2 capital. The final rule provides a five-year transition period, ending March 31, 2009, for application of the quantitative limits. The Corporation does not expect that the quantitative limits will preclude it from including the \$22 million in trust preferred securities in Tier 1 capital. However, the trust preferred securities could be redeemed without penalty if they were no longer permitted to be included in Tier 1 capital.

(13) INCOME TAXES

The significant components of income tax expense attributable to operations are:

	Years ended December 31,		
	2005	2004	2003
Current			
Federal	\$ 22,125	\$ 13,853	\$ 12,723
State	585	482	2,390
	22,710	14,335	15,113
Deferred			
Federal	(177)	6,351	7,980
State	920	1,251	(1,623)
	743	7,602	6,357
Total income tax expense	\$ 23,453	\$ 21,937	\$ 21,470

Not included in the above table is income tax benefit of approximately (\$8.8 million), (\$3.3 million), and (\$6.9 million) for 2005, 2004, and 2003, respectively, relating to unrealized loss on available for sale securities, tax benefits recognized with respect to stock options exercised, and tax benefit related to minimum pension liability, which were recorded directly in stockholders' equity.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

(In thousands)	December 31,	
	2005	2004
Deferred tax assets		
Allowance for loan and lease losses	\$ 17,975	\$ 17,032
Deferred compensation	5,156	4,878
Postretirement benefit obligation	1,678	1,743
Writedowns on corporate debt securities	657	2,261
Accrued liabilities	523	844
New York State tax credit and net operating loss carryforward	784	975
Other	841	557
Total deferred tax assets	27,614	28,290
Deferred tax liabilities		
Pension and executive retirement	6,837	6,627
Premises and equipment, primarily due to accelerated depreciation	3,039	3,610
Equipment leasing	20,999	21,715
Deferred loan costs	519	338
Intangible amortization	3,025	1,996
Other	652	386
Total deferred tax liabilities	35,071	34,672
Net deferred tax liability at year-end	(7,457)	(6,382)
Net deferred tax liability at beginning of year	(6,382)	1,220
Increase in net deferred tax liability	1,075	7,602
Purchase accounting adjustment	(332)	-
Deferred tax expense	\$ 743	\$ 7,602

The above table does not include the recorded deferred tax asset of \$4.1 million as of December 31, 2005 and the deferred tax liability of \$3.5 million as of December 31, 2004 related to the net unrealized holding gain/loss in the available-for-sale securities portfolio. The table also excludes a deferred tax asset of \$0.2 million as of both December 31, 2005 and 2004, related to the minimum SERP liability. The changes in these deferred assets and liabilities are recorded directly in accumulated other comprehensive income (loss).

Realization of deferred tax assets is dependent upon the generation of future taxable income or the existence of sufficient taxable income within the available carryback period. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax asset will not be realized. Based on available evidence, gross deferred tax assets will ultimately be realized and a valuation allowance was not deemed necessary at December 31, 2005 and 2004.

At December 31, 2005, the Company has a New York State tax credit carryforward of \$1.2 million which may be carried forward indefinitely.

The proposed 2006 New York State budget bill contains a provision that would disallow the exclusion of dividends paid by a real estate investment trust subsidiary ("REIT"). The bill, if enacted as proposed would be effective for taxable years beginning on or after January 1, 2006, and the Company would lose the tax benefit associated with the REIT. Until there is resolution to this proposal, the Company may have to increase the 2006 tax provision by approximately \$0.3 million per quarter as compared to 2005 and may have to begin recording the increased provision in the first quarter of 2006. Additionally, the proposed legislation would reduce the statutory tax rate on the taxable income base from 7.50% to 6.75%.

The following is a reconciliation of the provision for income taxes to the amount computed by applying the applicable Federal statutory rate of 35% to income before taxes:

(In thousands)	Years ended December 31		
	2005	2004	2003
Federal income tax at statutory rate	\$ 26,562	\$ 25,193	\$ 24,001
Tax exempt income	(2,577)	(2,427)	(2,545)
Net increase in CSV of life insurance	(808)	(756)	(513)
State taxes, net of federal tax benefit	978	1,125	501
Other, net	(702)	(1,198)	26
Income tax expense	\$ 23,453	\$ 21,937	\$ 21,470

(14) STOCKHOLDERS' EQUITY

Certain restrictions exist regarding the ability of the subsidiary bank to transfer funds to the Company in the form of cash dividends. The approval of the Office of Comptroller of the Currency (OCC) is required to pay dividends when a bank fails to meet certain minimum regulatory capital standards or when such dividends are in excess of a subsidiary bank's earnings retained in the current year plus retained net profits for the preceding two years (as defined in the regulations). At December 31, 2005, approximately \$58.5 million of the total stockholders' equity of the Bank was available for payment of dividends to the Company without approval by the OCC. The Bank's ability to pay dividends also is subject to the Bank being in compliance with regulatory capital requirements. The Bank is currently in compliance with these requirements. Under the State of Delaware Business Corporation Law, the Company may declare and pay dividends either out of accumulated net retained earnings or capital surplus.

In October 2004, the Company adopted a Stockholder Rights Plan (Plan) designed to ensure that any potential acquirer of the Company negotiate with the board of directors and that all Company stockholders are treated equitably in the event of a takeover attempt. At that time, the Company paid a dividend of one Preferred Share Purchase Right (Right) for each outstanding share of common stock of the Company. Similar rights are attached to each share of the Company's common stock issued after November 16, 2004. Under the Plan, the Rights will not be exercisable until a person or group acquires beneficial ownership of 15% or more of the Company's outstanding common stock, begins a tender or exchange offer for 15% or more of the Company's outstanding common stock. Additionally, until the occurrence of such an event, the Rights are not severable from the Company's common stock and, therefore, the Rights will be transferred upon the transfer of shares of the Company's common stock. Upon the occurrence of such events, each Right entitles the holder to purchase one one-hundredth of a share of Series A Junior Participating Preferred Stock, no par value, and \$0.01 stated value per share of the Company at a price of \$70.

The Plan also provides that upon the occurrence of certain specified events, the holders of Rights will be entitled to acquire additional equity interests, in the Company or in the acquiring entity, such interests having a market value of two times the Right's exercise price of \$70. The Rights, which expire October 24, 2014, are redeemable in whole, but not in part, at the Company's option prior to the time they are exercisable, for a price of \$0.001 per Right.

(15)REGULATORY CAPITAL REQUIREMENTS

Bancorp and NBT Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, NBT Bank must meet specific capital guidelines that involve quantitative measures of NBT Bank’s assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and NBT Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 Capital to risk-weighted assets, and of Tier 1 capital to average assets. As of December 31, 2005 and 2004, the Company and NBT Bank meet all capital adequacy requirements to which they were subject.

Under their prompt corrective action regulations, regulatory authorities are required to take certain supervisory actions (and may take additional discretionary actions) with respect to an undercapitalized institution. Such actions could have a direct material effect on an institution’s financial statements. The regulations establish a framework for the classification of banks into five categories: well capitalized, adequately capitalized, under capitalized, significantly under capitalized, and critically under capitalized. As of December 31, 2005, the most recent notification from NBT Bank’s regulators categorized NBT Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized NBT Bank must maintain minimum total risk-based, Tier 1 risk-based, Tier 1 capital to average asset ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed NBT Bank’s category.

The Company and NBT Bank's actual capital amounts and ratios are presented as follows:

	Actual		Regulatory ratio requirements	
	Amount	Ratio	Minimum capital adequacy	For classification as well capitalized
<i>(Dollars in thousands)</i>				
As of December 31, 2005				
Total capital (to risk weighted assets):				
Company combined	\$ 350,819	11.05%	8.00%	10.00%
NBT Bank	336,900	10.65%	8.00%	10.00%
Tier I Capital (to risk weighted assets)				
Company combined	311,033	9.80%	4.00%	6.00%
NBT Bank	297,255	9.40%	4.00%	6.00%
Tier I Capital (to average assets)				
Company combined	311,033	7.16%	4.00%	5.00%
NBT Bank	297,255	6.89%	4.00%	5.00%
As of December 31, 2004				
Total capital (to risk weighted assets)				
Company combined	\$ 334,617	11.04%	8.00%	10.00%
NBT Bank	317,835	10.65%	8.00%	10.00%
Tier I Capital (to risk weighted assets)				
Company combined	296,631	9.78%	4.00%	6.00%
NBT Bank	280,446	9.40%	4.00%	6.00%
Tier I Capital (to average assets)				
Company combined	296,631	7.13%	4.00%	5.00%
NBT Bank	280,446	6.83%	4.00%	5.00%

(16)EMPLOYEE BENEFIT PLANS

PENSION PLAN

The Company has a qualified, noncontributory, defined benefit pension plan covering substantially all of its employees at December 31, 2005. Benefits paid from the plan are based on age, years of service, compensation, social security benefits, and are determined in accordance with defined formulas. The Company's policy is to fund the pension plan in accordance with ERISA standards. Assets of the plan are invested in publicly traded stocks and bonds. Prior to January 1, 2000, the Company's plan was a traditional defined benefit plan based on final average compensation. On January 1, 2000, the plan was converted to a cash balance plan with grandfathering provisions for existing participants.

The net periodic pension expense and the funded status of the plan are as follows:

(In thousands)	Years ended December 31,		
	2005	2004	2003
Components of net periodic benefit cost			
Service cost	\$ 1,868	\$ 1,655	\$ 1,347
Interest cost	2,249	2,154	2,028
Expected return on plan assets	(3,828)	(3,740)	(3,175)
Amortization of initial unrecognized asset	(192)	(192)	(192)
Amortization of prior service cost	1,107	186	153
Amortization of unrecognized net gain	587	447	295
Net periodic pension cost	1,791	510	456
Change in projected benefit obligation			
Benefit obligation at beginning of year	(40,277)	(36,791)	(31,942)
Service cost	(1,868)	(1,655)	(1,347)
Interest cost	(2,249)	(2,154)	(2,028)
Actuarial loss	(64)	(952)	(3,512)
Benefits paid	3,253	2,481	2,412
Prior service cost	(30)	(1,206)	(374)
Projected benefit obligation at end of year	(41,235)	(40,277)	(36,791)
Change in plan assets			
Fair value of plan assets at beginning of year	44,500	43,905	32,602
Actual return on plan assets	1,922	2,195	5,216
Employer contributions	1,487	881	8,500
Benefits paid	(3,253)	(2,481)	(2,412)
Fair value of plan assets at end of year	44,656	44,500	43,906
Plan assets in excess of projected benefit obligation	3,421	4,223	7,115
Unrecognized portion of net asset at transition	(598)	(789)	(981)
Unrecognized net actuarial loss	12,908	11,524	9,475
Unrecognized prior service cost	1,692	2,768	1,748
Prepaid pension cost	17,423	17,726	17,357
Accumulated benefit obligation	\$ (40,337)	\$ (38,962)	\$ (35,381)
Weighted average assumptions as of December 31			
Discount rate	5.50%	5.75%	6.00%
Expected long-term return on plan assets	8.50%	8.75%	8.75%
Rate of compensation increase	3.75%	3.75%	3.75%
The following assumptions were used to determine net periodic pension cost:			
Discount rate	5.75%	6.00%	6.50%
Expected long-term return on plan assets	8.75%	8.75%	8.75%
Rate of compensation increase	3.75%	3.75%	4.00%

The following is a summary of the plan's weighted average asset allocation at December 31, 2005:

(In thousands)	Actual Allocation	Percentage Allocation
Cash and Cash Equivalents	\$ 2,291	5.10 %
Equity Mutual Funds	5,101	11.40 %
US Government Bonds	7,555	16.90 %
Corporate Bonds	4,461	10.00 %
Foreign Bonds	245	0.60 %
Common Stock	21,840	48.90 %
Preferred Stock	994	2.20 %
Foreign Equity	2,169	4.90 %
Total	<u>\$ 44,656</u>	<u>100.00 %</u>

PLAN INVESTMENT POLICY AS OF DECEMBER 31, 2005:

The Company's key investment objectives in managing its defined benefit plan assets are to ensure that present and future benefit obligations to all participants and beneficiaries are met as they become due; to provide a total return that, over the long-term, maximizes the ratio of the plan assets to liabilities, while minimizing the present value of required Company contributions, at the appropriate levels of risk; to meet statutory requirements and regulatory agencies' requirements; and to satisfy applicable accounting standards. The Company periodically evaluates the asset allocations, funded status, rate of return assumption and contribution strategy for satisfaction of our investment objectives. Generally, the investment manager allocates investments as follows: of 20-40% of the total portfolio in fixed income, 40-80% in equities, and 0-20% in cash. Only high-quality bonds should be included in the portfolio. All issues that are rated lower than A by Standard and Poor's should be excluded. Equity securities at December 31, 2005 and 2004 do not include any NBT Bancorp Inc. common stock.

The following table sets forth estimated future benefit payments:

Estimated future benefit payments	Year	Estimated future payment
	2006	\$ 5,001
	2007	2,800
	2008	2,890
	2009	3,118
	2010	3,144
	2011 - 2015	16,491

DETERMINATION OF ASSUMED RATE OF RETURN

The expected long-term rate-of-return on plan assets reflects long-term earnings expectations on existing plan assets. In estimating that rate, appropriate consideration is given to historical returns earned by plan assets as well as historical returns of comparable market indexes aligned with the Company's plan assets. Average rates of return over the past 10 and 15 year periods were considered and the results are summarized as follows:

	Percentage Allocation	Comparable Market Index	Expected Return Average	Expected Weighted Return
Cash and Cash Equivalents	5.10 %	Citigroup Treasury Bill - 3 Month Index	3.77 %	0.19 %
American Funds New Perspective R3	3.30 %	MSCI World Index	6.92 %	0.23 %
Ishares MSCI Emerging	1.00 %	MSCI EAFE Index	5.17 %	0.05 %
Ishares MSCI EAFE	2.50 %	MSCI EAFE Index	5.17 %	0.13 %
Ishares Russell 2000	1.10 %	Russell 2000 Index	10.66 %	0.12 %
Midcap Spider S&P 400	3.50 %	S&P 500 Index	10.76 %	0.38 %
US Government Bonds	16.90 %	Lehman Bros. 5-10 year Govt Index	6.57 %	1.11 %
Corporate Bonds	10.00 %	Lehman Bros. Corp. Index	6.46 %	0.65 %
Foreign Bonds	0.60 %	Lehman Bros. Aggregate Bond Fund	6.16 %	0.04 %
Common Stock	48.90 %	S&P 500 Index	10.76 %	5.26 %
Preferred Stock	2.20 %	S&P 500 Index	10.76 %	0.24 %
Foreign Equity	4.90 %	MSCI World Index	6.92 %	0.34 %
Expected Average Return:				8.74 %

The Company is not required to make contributions to the plan in 2006.

In addition to the Company's noncontributory defined benefit retirement and pension plan, the Company provides a supplemental employee retirement plans to certain current and former executives. The amount of the liabilities recognized in the Company's consolidated balance sheets associated with these plans was \$10.8 million and \$9.2 million at December 31, 2005 and 2004, respectively. The charges to expense with respect to these plans amounted to \$1.7 million, \$1.3 million, and \$1.0 million for the years ended December 31, 2005, 2004, and 2003, respectively. The discount rate used in determining the actuarial present values of the projected benefit obligations was 5.50%, 5.75%, and 6.00%, at December 31, 2005, 2004, and 2003, respectively.

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The Company provides certain health care benefits for retired employees. Benefits are accrued over the employees' active service period. Only employees that were employed by NBT Bank on or before January 1, 2000 are eligible to receive postretirement health care benefits. The plan is contributory for participating retirees, requiring participants to absorb certain deductibles and coinsurance amounts with contributions adjusted annually to reflect cost sharing provisions and benefit limitations called for in the plan. Employees become eligible for these benefits if they reach normal retirement age while working for the Company. The Company funds the cost of postretirement health care as benefits are paid. The Company elected to recognize the transition obligation on a delayed basis over twenty years.

(In thousands)	Years ended December 31,		
	2005	2004	2003
Components of net periodic benefit cost			
Service cost	\$ 3	\$ 35	\$ 131
Interest cost	212	277	365
Amortization of transition obligation	23	39	39
Amortization of losses	167	186	161
Amortization of unrecognized prior service cost	(265)	(265)	(159)
Net periodic postretirement benefit cost	140	272	537
Change in accumulated benefit obligation			
Benefit obligation at beginning of the year	4,841	4,777	7,516
Service cost	3	35	131
Interest cost	212	277	365
Plan participants' contributions	282	272	-
Actuarial loss	(712)	152	117
Amendments	-	-	(3,045)
Benefits paid	(774)	(672)	(304)
Accumulated benefit obligation at end of year	3,852	4,841	4,780
Components of accrued benefit cost			
Accumulated benefit obligation at end of year	(3,852)	(4,841)	(4,780)
Unrecognized transition obligation	-	23	62
Unrecognized prior service cost	(2,688)	(2,953)	(3,219)
Unrecognized actuarial net loss	2,953	3,831	3,866
Accrued benefit cost	\$ (3,587)	\$ (3,940)	\$ (4,071)
Weighted average discount rate	5.50%	5.75%	6.00%

For measurement purposes, the annual rates of increase in the per capita cost of covered medical and prescription drug benefits for fiscal year 2005 were assumed to be 10.0 and 13.0 percent, respectively. The rates were assumed to decrease gradually to 5.0 percent for fiscal year 2014 and remain at that level thereafter. Assumed health care cost trend rates have a significant effect on amounts reported for health care plans. A one-percentage point change in the health care trend rates would have the following effects as of and for the year ended December 31, 2005:

<i>(In thousands)</i>	1-Percentage point increase	1-Percentage point decrease
Increase (decrease) on total service and interest cost components	\$ 18	\$ (17)
Increase (decrease) on postretirement accumulated benefit obligation	353	(330)

EMPLOYEE 401(K) AND EMPLOYEE STOCK OWNERSHIP PLANS

At December 31, 2005, the Company maintains a 401(k) and employee stock ownership plan (the Plan). The Company contributes to the Plan based on employees' contributions out of their annual salary. In addition, the Company may also make discretionary contributions to the Plan based on profitability. Participation in the plan is contingent upon certain age and service requirements. The recorded expenses associated with this plan was \$1.6 million in 2004, \$1.4 million in 2004, and \$1.5 million in 2003.

STOCK OPTION PLANS

The following is a summary of changes in options outstanding:

	Number of options	Weighted average of exercise price of options under the plans
Balance at December 31, 2002	2,192,223	\$ 14.96
Granted	398,888	17.72
Exercised	(489,253)	12.42
Lapsed	(37,284)	14.89
Balance at December 31, 2003	2,064,574	16.09
Granted	381,109	22.19
Exercised	(448,669)	15.26
Lapsed	(22,975)	18.53
Balance at December 31, 2004	1,974,039	17.43
Granted	426,855	23.16
Exercised	(413,176)	16.45
Lapsed	(71,094)	20.78
Balance at December 31, 2005	1,916,624	\$ 18.79

The following table summarizes information concerning stock options outstanding at December 31, 2005:

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding	Weighted average remaining contractual life (in years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$10.00 - \$13.75	75,128	3.32	\$ 10.94	75,128	\$ 10.94
\$13.76 - \$17.50	579,861	5.36	15.12	513,649	15.22
\$17.51 - \$21.25	565,413	5.35	18.65	424,577	18.83
\$21.26 - \$25.00	696,222	8.67	22.82	195,154	22.51
\$10.00 - \$25.00	1,916,624	6.48	\$ 18.79	1,208,508	\$ 17.40

(17) COMMITMENTS AND CONTINGENT LIABILITIES

The Company's concentrations of credit risk are reflected in the consolidated balance sheets. The concentrations of credit risk with standby letters of credit, unused lines of credit, commitments to originate new loans and loans sold with recourse generally follow the loan classifications.

At December 31, 2005, approximately 62% of the Company's loans are secured by real estate located in central and northern New York and northeastern Pennsylvania. Accordingly, the ultimate collectibility of a substantial portion of the Company's portfolio is susceptible to changes in market conditions of those areas. Management is not aware of any material concentrations of credit to any industry or individual borrowers.

The Company is a party to certain financial instruments with off balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, unused lines of credit, standby letters of credit, and as certain mortgage loans sold to investors with recourse. The Company's exposure to credit loss in the event of nonperformance by the other party to the commitments to extend credit, unused lines of credit, standby letters of credit, and loans sold with recourse is represented by the contractual amount of those instruments. The Company uses the same credit standards in making commitments and conditional obligations as it does for on balance sheet instruments.

The total amount of loans serviced by the Company for unrelated third parties was approximately \$81.2 million and \$70.8 million at December 31, 2005 and 2004, respectively.

In the normal course of business there are various outstanding legal proceedings. In the opinion of management, the aggregate amount involved in such proceedings is not material to the consolidated balance sheets or results of operations of the Company.

<i>(In thousands)</i>	At December 31,	
	2005	2004
Unused lines of credit	\$ 230,863	\$ 228,789
Commitments to extend credits, primarily variable rate	266,274	278,610
Standby letters of credit	42,866	31,616
Loans sold with recourse	5,750	5,594

In November 2002, the FASB issued FASB Interpretation No. 45 (“FIN No. 45”), “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others; an Interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB Interpretation No. 34.” FIN No. 45 requires certain new disclosures and potential liability-recognition for the fair value at issuance of guarantees that fall within its scope. Under FIN No. 45, the Company does not issue any guarantees that would require liability-recognition or disclosure, other than its standby letters of credit.

The Company guarantees the obligations or performance of customers by issuing stand-by letters of credit to third parties. These stand-by letters of credit are frequently issued in support of third party debt, such as corporate debt issuances, industrial revenue bonds, and municipal securities. The risk involved in issuing stand-by letters of credit is essentially the same as the credit risk involved in extending loan facilities to customers, and they are subject to the same credit origination, portfolio maintenance and management procedures in effect to monitor other credit and off-balance sheet products. Typically, these instruments have terms of five years or less and expire unused; therefore, the total amounts do not necessarily represent future cash requirements. The fair value of the Company’s stand-by letters of credit at December 31, 2005 and 2004 was not significant.

(18) PARENT COMPANY FINANCIAL INFORMATION

<i>(In thousands)</i>	December 31,	
	2005	2004
Assets		
Cash and cash equivalents	\$ 10,229	\$ 5,949
Securities available for sale, at estimated fair value	11,345	8,363
Investment in subsidiaries, on equity basis	342,699	334,423
Other assets	17,363	23,205
Total assets	<u>\$ 381,636</u>	<u>\$ 371,940</u>
Liabilities and Stockholders’ Equity		
Total liabilities	\$ 47,693	\$ 39,707
Stockholders’ equity	333,943	332,233
Total liabilities and stockholders’ equity	<u>\$ 381,636</u>	<u>\$ 371,940</u>

(In thousands)	Years ended December 31,		
	2005	2004	2003
Dividends from subsidiaries	35,400	29,732	28,715
Management fee from subsidiaries	54,373	47,872	44,736
Interest and other dividend income	839	258	206
Net gain on sale of securities available for sale	-	4	-
	90,612	77,866	73,657
Operating expense	55,201	50,442	45,692
Income before income tax (benefit) expense and equity in undistributed income of subsidiaries	35,411	27,424	27,965
Income tax (benefit) expense	(728)	(993)	272
Equity in undistributed income of subsidiaries	16,299	21,630	19,411
Net income	\$ 52,438	\$ 50,047	\$ 47,104

(In thousands)	Years ended December 31,		
	2005	2004	2003
Operating activities			
Net income	\$ 52,438	\$ 50,047	\$ 47,104
Adjustments to reconcile net income to net cash provided by operating activities			
Net gains on sale of securities available for sale	-	8	-
Tax benefit from exercise of stock options	1,057	1,336	1,294
Distributions in excess of equity in undistributed income of subsidiaries	(16,299)	(21,630)	(19,411)
Other, net	5,540	(2,061)	(4,008)
Net cash provided by operating activities	42,736	27,700	24,979
Investing activities			
Proceeds from sales of securities available for sale	-	1,000	-
Purchases of premises and equipment	(2,834)	(2,342)	(1,534)
Net cash used in investing activities	(2,834)	(1,342)	(1,534)
Financing activities			
Proceeds from the issuance of shares to employee benefit plans and other stock plans	7,161	6,964	6,381
Payment on long-term debt	(100)	(90)	(85)
Proceeds from the issuance of trust preferred debentures	5,155	-	-
Purchase of treasury shares	(23,165)	(9,149)	(6,489)
Cash dividends and payment for fractional shares	(24,673)	(24,251)	(22,173)
Net cash used in financing activities	(35,622)	(26,526)	(22,366)
Net increase (decrease) in cash and cash equivalents	4,280	(168)	1,079
Cash and cash equivalents at beginning of year	5,949	6,117	5,038
Cash and cash equivalents at end of year	\$ 10,229	\$ 5,949	\$ 6,117

(19) FAIR VALUES OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments.

SHORT TERM INSTRUMENTS

For short-term instruments, such as cash and cash equivalents, accrued interest receivable, accrued interest payable, and short term borrowings, carrying value approximates fair value.

SECURITIES

Fair values for securities are based on quoted market prices or dealer quotes, where available. Where quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

LOANS

For variable rate loans that reprice frequently and have no significant credit risk, fair values are based on carrying values. The fair values for fixed rate loans are estimated through discounted cash flow analysis using interest rates currently being offered for loans with similar terms and credit quality. Nonperforming loans are valued based upon recent loss history for similar loans.

DEPOSITS

The fair values disclosed for savings, money market, and noninterest bearing accounts are, by definition, equal to their carrying values at the reporting date. The fair value of fixed maturity time deposits is estimated using a discounted cash flow analysis that applies interest rates currently offered to a schedule of aggregated expected monthly maturities on time deposits.

LONG-TERM DEBT

The fair value of long-term debt has been estimated using discounted cash flow analysis that applies interest rates currently offered for notes with similar terms.

COMMITMENTS TO EXTEND CREDIT AND STANDBY LETTERS OF CREDIT

The fair value of commitments to extend credit and standby letters of credit are estimated using fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present credit worthiness of the counterparties. Carrying amounts, which are comprised of the unamortized fee income, are not significant.

TRUST PREFERRED DEBENTURES

A significant portion of the outstanding balance at December 31, 2005 is variable rate in nature, as such the carrying value approximates fair value.

Estimated fair values of financial instruments at December 31 are as follows:

(In thousands)	2005		2004	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial assets				
Cash and cash equivalents	\$ 142,488	\$ 142,488	\$ 106,723	\$ 106,723
Securities available for sale	954,474	954,474	952,542	952,542
Securities held to maturity	93,709	93,701	81,782	82,712
Loans (1)	3,022,657	2,949,799	2,869,921	2,835,643
Less allowance for loan losses	47,455	-	44,932	-
Net loans	2,975,202	2,949,799	2,824,989	2,835,643
Accrued interest receivable	19,008	19,008	15,652	15,652
Financial liabilities				
Savings, NOW, and money market	\$ 1,325,166	\$ 1,325,166	\$ 1,435,561	\$ 1,435,561
Time deposits	1,241,608	1,234,680	1,118,059	1,115,118
Noninterest bearing	593,422	593,422	520,218	520,218
Short-term borrowings	444,977	444,977	338,823	338,823
Long-term debt	414,330	407,783	394,523	421,113
Accrued interest payable	8,077	8,077	6,384	6,384
Trust preferred debentures	23,875	23,875	18,720	18,720

1. Lease receivables, although excluded from the scope of SFAS No. 107, are included in the estimated fair value amounts at their carrying amounts.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on and off balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. For example, the Company has a substantial trust and investment management operation that contributes net fee income annually. The trust and investment management operation is not considered a financial instrument, and its value has not been incorporated into the fair value estimates. Other significant assets and liabilities include the benefits resulting from the low-cost funding of deposit liabilities as compared to the cost of borrowing funds in the market, and premises and equipment. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimate of fair value.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

As of the end of the period covered by this Annual Report on Form 10-K, an evaluation was carried out by the Company’s management, with the participation of its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company’s disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of the end of the period covered by this report. No changes were made to the Company’s internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) during the last fiscal quarter that materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Management Report on Internal Controls Over Financial Reporting

The management of NBT Bancorp, Inc. (the “Company”) is responsible for establishing and maintaining adequate internal control over financial reporting. The Company’s internal control over financial reporting is a process designed under the supervision of the Company’s Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company’s consolidated financial statements for external purposes in accordance with generally accepted accounting principles.

As of December 31, 2005, management assessed the effectiveness of the Company’s internal control over financial reporting based on the criteria for effective internal control over financial reporting established in “Internal Control — Integrated Framework,” issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Based on the assessment, management determined that the Company maintained effective internal control over financial reporting as of December 31, 2005, based on those criteria.

KPMG LLP, the independent registered public accounting firm that audited the consolidated financial statements of the Company included in this Annual Report on Form 10-K, has issued an attestation report on management’s assessment of the effectiveness of the Company’s internal control over financial reporting as of December 31, 2005. The report, which expresses unqualified opinions on management’s assessment and on the effectiveness of the Company’s internal control over financial reporting as of December 31, 2005, is included in this Item under the heading “Report of Independent Registered Public Accounting Firm.”

**Report of Independent Registered Public Accounting Firm
To the Board of Directors and Stockholders of NBT Bancorp Inc.**

We have audited management’s assessment, included in the accompanying *Management’s Report on Internal Control Over Financial Reporting*, that NBT Bancorp Inc. (the Company) maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management’s assessment and an opinion on the effectiveness of the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management’s assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management’s assessment that the NBT Bancorp Inc. maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of NBT Bancorp Inc. and subsidiaries as of December 31, 2005 and 2004 and the related consolidated statements of income, changes in stockholders' equity, cash flows, and comprehensive income for each of the years in the three-year period ended December 31, 2005, and our report dated March 6, 2006 expressed an unqualified opinion on those financial statements.

/s/ KPMG LLP
Albany, NY
March 6, 2006

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item is incorporated herein by reference to the Company's definitive Proxy Statement for its annual meeting of shareholders to be held on May 2, 2006 (the "Proxy Statement"), which will be filed with the Securities and Exchange Commission within 120 days of the Company's 2005 fiscal year end.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated herein by reference to the Company's definitive Proxy Statement for its annual meeting of shareholders to be held on May 2, 2006 (the "Proxy Statement"), which will be filed with the Securities and Exchange Commission within 120 days of the Company's 2005 fiscal year end.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED MATTERS

EQUITY COMPENSATION PLAN INFORMATION

As of December 31, 2005, the following table summarizes the Company's equity compensation plans:

Plan Category	A. Number of securities to be issued upon exercise of outstanding options	B. Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column A.)
Equity compensation plans approved by stockholders	1,916,624	\$ 18.79	2,195,302
Equity compensation plans not approved by stockholders	None	None	None

The remaining information required by this item is incorporated herein by reference to the Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated herein by reference to the Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is incorporated herein by reference to the Proxy Statement.

PART IV**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) (1) The following Consolidated Financial Statements are included in Part II, Item 8 hereof:

Report of Independent Registered Public Accounting Firm.

Consolidated Balance Sheets as of December 31, 2005 and 2004.

Consolidated Statements of Income for each of the three years ended December 31, 2005, 2004 and 2003.

Consolidated Statements of Changes in Stockholders' Equity for each of the three years ended December 31, 2005, 2004 and 2003.

Consolidated Statements of Cash Flows for each of the three years ended December 31, 2005, 2004 and 2003.

Consolidated Statements of Comprehensive Income for each of the three years ended December 31, 2005, 2004 and 2003.

Notes to the Consolidated Financial Statements.

- (a) (2) There are no financial statement schedules that are required to be filed as part of this form since they are not applicable or the information is included in the consolidated financial statements.
- (a) (3) See below for all exhibits filed herewith and the Exhibit Index.

2.1	Agreement and Plan of Merger by and between NBT Bancorp Inc., and CNB Bancorp, Inc., dated as of June 13, 2005 (filed as Exhibit 2.1 to Registrant's Form 8-K, filed on June 14, 2005 and incorporated herein by reference).
3.1	Certificate of Incorporation of NBT Bancorp Inc. as amended through July 23, 2001 (filed as Exhibit 3.1 to Registrant's Form 10-K for the year ended December 31, 2001, filed on March 29, 2002 and incorporated herein by reference).
3.2	By-laws of NBT Bancorp Inc. as amended and restated through July 23, 2001 (filed as Exhibit 3.2 to Registrant's Form 10-K for the year ended December 31, 2001, filed on March 29, 2002 and incorporated herein by reference).
3.3	Rights Agreement, dated as of November 15, 2004, between NBT Bancorp Inc. and Registrar and Transfer Company, as Rights Agent (filed as Exhibit 4.1 to Registrant's Form 8-K, file number 0-14703, filed on November 18, 2004, and incorporated by reference herein).
3.4	Certificate of Designation of the Series A Junior Participating Preferred Stock (filed as Exhibit A to Exhibit 4.1 of the Registration's Form 8-K, file Number 0-14703, filed on November 18, 2004, and incorporated herein by reference).
4.1	Specimen common stock certificate for NBT's common stock (filed as exhibit 4.1 to the Registrant's Amendment No. 1 to Registration Statement on Form S-4 filed on December 27, 2005 and incorporated herein by reference).
10.1	NBT Bancorp Inc. 1993 Stock Option Plan (filed as Exhibit 99.1 to Registrant's Form S-8 Registration Statement, file number 333-71830 filed on October 18, 2001 and incorporated by reference herein).
10.2	NBT Bancorp Inc. Non-Employee Director, Divisional Director and Subsidiary Director Stock Option Plan (filed as Exhibit 99.1 to Registrant's Form S-8 Registration Statement, file number 333-73038 filed on November 9, 2001 and incorporated by reference herein).
10.3	CNB Bancorp, Inc. Stock Option Plan (incorporated by reference to Exhibit A of CNB Bancorp, Inc.'s definitive proxy statement filed with the SEC on September 4, 1998 and incorporated by reference herein).
10.4	NBT Bancorp Inc. Employee Stock Purchase Plan. (filed as Exhibit 10.11 to Registrant's Form 10-K for the year ended December 31, 2001, filed on March 29, 2002 and incorporated herein by reference).
10.5	NBT Bancorp Inc. Non-employee Directors Restricted and Deferred Stock Plan (filed as Appendix A of Registrant's Definitive Proxy Statement on Form 14A filed on April 4, 2003, and incorporated by reference herein).
10.6	NBT Bancorp Inc. Performance Share Plan (filed as Appendix B of Registrant's Definitive Proxy Statement on Form 14A filed on April 4, 2003, and incorporated by reference herein).
10.7	NBT Bancorp Inc. 2006 Executive Incentive Compensation Plan.
10.8	CNB Bancorp, Inc. Long-Term Incentive Compensation Plan (incorporated by reference to Appendix B of CNB Bancorp, Inc.'s definitive proxy statement filed with the SEC on March 14, 2002 and incorporated by reference herein).
10.9	Form of Employment Agreement between NBT Bancorp Inc. and Daryl R. Forsythe made as of August 2, 2003. (filed as Exhibit 10.1 to Registrant's Form 10-Q for the quarterly period ended September 30, 2003, filed on November 13, 2003 and incorporated herein by reference).
10.10	Amendment dated December 19, 2005 to Form of Employment Agreement between NBT Bancorp Inc. and Daryl R. Forsythe made as of August 2, 2003.
10.11	Supplemental Retirement Agreement between NBT Bancorp Inc., NBT Bank, National Association and Daryl R. Forsythe as amended and restated Effective January 1, 2005.
10.12	Death Benefits Agreement between NBT Bancorp Inc., NBT Bank, National Association and Daryl R. Forsythe made August 22, 1995.

10.13	Amendment dated January 28, 2002 to Death Benefits Agreement between NBT Bancorp Inc., NBT Bank, National Association and Daryl R. Forsythe made August 22, 1995. (filed as Exhibit 10.18 to Registrant's Form 10-K for the year ended December 31, 2001, filed on March 29, 2002 and incorporated herein by reference).
10.14	Split-Dollar Agreement between NBT Bancorp Inc., NBT Bank, National Association and Daryl R. Forsythe made January 25, 2002. (filed as Exhibit 10.25 to Registrant's Form 10-K for the year ended December 31, 2003, filed on March 15, 2004 and incorporated herein by reference).
10.15	Form of Employment Agreement between NBT Bancorp Inc. and Martin A. Dietrich as amended and restated January 1, 2005.
10.16	Supplemental Executive Retirement Agreement between NBT Bancorp Inc. and Martin A. Dietrich as amended and restated January 20, 2006.
10.17	Change in control agreement with Martin A. Dietrich as amended and restated July 23, 2001 (filed as Exhibit 10.3 to Registrant's Form 10-Q for the quarterly period ended September 30, 2001, filed on November 14, 2001 and incorporated herein by reference).
10.18	Form of Employment Agreement between NBT Bancorp Inc. and Michael J. Chewens as amended and restated January 1, 2005.
10.19	Supplemental Executive Retirement Agreement between NBT Bancorp Inc. and Michael J. Chewens made as of July 23, 2001 (filed as Exhibit 10.12 to Registrant's Form 10-Q for the quarterly period ended September 30, 2001, filed on November 14, 2001 and incorporated by reference herein).
10.20	Change in control agreement with Michael J. Chewens as amended and restated July 23, 2001 (filed as Exhibit 10.1 to Registrant's Form 10-Q for the quarterly period ended September 30, 2001, filed on November 14, 2001 and incorporated herein by reference).
10.21	Form of Employment Agreement between NBT Bancorp Inc. and David E. Raven as amended and restated January 1, 2005.
10.22	Change in control agreement with David E. Raven as amended and restated July 23, 2001 (filed as Exhibit 10.7 to Registrant's Form 10-Q for the quarterly period ended September 30, 2001, filed on November 14, 2001 and incorporated by reference herein).
10.23	Supplemental Executive Retirement Agreement between NBT Bancorp Inc. and David E. Raven made as of January 1, 2004. (filed as Exhibit 10.35 to Registrant's Form 10-K for the year ended December 31, 2003, filed on March 15, 2004 and incorporated herein by reference).
10.24	Form of Employment Agreement between NBT Bancorp Inc. and Ronald M. Bentley made as of August 16, 2005.
10.25	Change in control agreement with Ronald M. Bentley dated August 22, 2005.
10.26	Description for Arrangement for Directors Fees.
21	A list of the subsidiaries of the Registrant.
23	Consent of KPMG LLP.
31.1	Certification by the Chief Executive Officer pursuant to Rules 13(a)-14(a)/15(d)-14(e) of the Securities and Exchange Act of 1934.
31.2	Certification by the Chief Financial Officer pursuant to Rules 13(a)-14(a)/15(d)-14(e) of the Securities and Exchange Act of 1934.
32.1	Certification by the Chief Executive Officer pursuant to 18 U.S.C 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, NBT Bancorp Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NBT BANCORP INC. (Registrant)

March 14, 2006

/S/ Martin A. Dietrich

Martin A. Dietrich
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/S/ Daryl R. Forsythe

Daryl R. Forsythe
Chairman and Director

Date: March 14, 2006

/S/ Martin A. Dietrich

Martin A. Dietrich
NBT Bancorp Inc. President,CEO, and Director (Principal Executive Officer)

Date: March 14, 2006

/S/ John C. Mitchell

John C. Mitchell, Director

Date: March 14, 2006

/S/ Joseph G. Nasser

Joseph G. Nasser, Director

Date: March 14, 2006

/S/ Peter B. Gregory

Peter B. Gregory, Director

Date: March 14, 2006

/S/ William C. Gumble

William C. Gumble, Director

Date: March 14, 2006

/S/ Michael Hutcherson

Michael Hutcherson, Director

Date: March 14, 2006

/S/ Richard Chojnowski

Richard Chojnowski, Director

Date: March 14, 2006

/S/ Michael Murphy

Michael Murphy, Director

Date: March 14, 2006

/S/ Michael J. Chewens

Michael J. Chewens
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Date: March 14, 2006

/S/ William L. Owens

William L. Owens, Director

Date: March 14, 2006

/S/ Van Ness D. Robinson

Van Ness D. Robinson, Director

Date: March 14, 2006

/S/ Joseph A. Santangelo

Joseph A. Santangelo, Director

Date: March 14, 2006

/S/ Janet H. Ingraham

Janet H. Ingraham, Director

Date: March 14, 2006

/S/ Paul Horger

Paul Horger, Director

Date: March 14, 2006

/S/ Andrew S. Kowalczyk, Jr

Andrew S. Kowalczyk, Jr., Director

Date: March 14, 2006

/S/ Patricia T. Civil

Patricia T. Civil, Director

Date: March 14, 2006

Exhibit 10.7
NBT Bancorp Inc. 2006 Executive Incentive Compensation Plan

NBT BANCORP INC. AND SUBSIDIARIES
2006 EXECUTIVE INCENTIVE COMPENSATION PLAN

NBT BANCORP INC. AND SUBSIDIARIES
2006 EXECUTIVE INCENTIVE COMPENSATION PLAN

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Introduction

It is important to examine the benefits that accrue to the organization through the operation of the Executive Incentive Compensation Plan (EICP). The Plan impacts directly on the success of the organization and its purpose can be summarized as follows:

- * Provides Motivation: The opportunity for incentive awards provides Executives with the impetus to "stretch" for challenging, yet attainable, goals.
- * Provides Retention: By enhancing the organization's competitive compensation posture.
- * Provides Management Team Building: By making the incentive award dependent on the attainment of organization goals, a "team orientation" is fostered among the participant group.
- * Provides Individual Motivation: By encouraging the participant to make significant personal contribution to the corporate effort.
- * Provides Competitive Compensation Strategy: The implementation of incentive arrangements is competitive with current practice in the banking industry.

Highlights of the 2006 Executive Incentive Compensation Plan (EICP) are listed below:

1. The Plan is competitive compared with similar sized banking organizations and the banking industry in general.
2. The Compensation Committee of the Board of Directors controls all aspects of the Plan.
3. All active Executives are eligible for participation.
4. The financial criteria necessary for Plan operation consist of achieving certain levels of Earnings Per Share (EPS) for the Company and its Subsidiaries as applicable. Certain non-recurring events inclusive of changes to tax law or accounting rules may be excluded from the financials at the discretion of the CEO and the Compensation Committee.
5. Incentive distributions will be made during the first quarter of the year following the Plan Year and will be based on the matrix in Appendix A.
6. Incentive awards will be based on attainment of corporate goals. Total incentive awards may contain Corporate, Subsidiary and Individual components. The Corporate and Subsidiary components are awarded by virtue of performance related to pre-established goals and the individual component is awarded by virtue of individual performance related to individual goals. No bonus will be paid unless the Corporation attains its pre-established goals, and Division Heads achieve their respective budgets.

The Board of Directors has established this 2006 Executive Incentive Compensation Plan. The purpose of the Plan is to meet and exceed financial goals and to promote a superior level of performance relative to the competition in our market areas. Through payment of incentive compensation beyond base salaries, the Plan provides reward for meeting and exceeding financial goals.

SECTION I - DEFINITIONS

Various terms used in the Plan are defined as follows:

Base Salary: The base salary at the end of the Plan Year, excluding any bonuses, contributions to Executive benefit programs, or other compensation not designated as salary.

Board of Directors: The Board of Directors of NBT Bancorp Inc.

CEO: The CEO of NBT Bancorp Inc.

Corporate Goals: Those pre-established objectives and goals of NBT Bancorp Inc. which are required to activate distribution of awards under the Plan.

Divisional/Subsidiary Goals: Those pre-established objectives and goals which apply to each of the Banking Divisions of NBT Bancorp Inc. and which may activate distribution of awards under the Plan.

Individual Goals: Key objectives mutually agreed upon between participants and management.

Compensation Committee: The Compensation and Benefits Committee of the NBT Bancorp Inc. Board of Directors.

Plan Participant: An eligible Executive as designated by the CEO and approved by the Compensation Committee for participation for the Plan Year.

Plan Year: The 2006 calendar year.

SECTION II - ELIGIBILITY TO PARTICIPATE

To be eligible for an award under the Plan, a Plan participant must be an Executive in full-time service at the start and close of the calendar year and at the time of the award unless mutually agreed upon prior to the Executive leaving the company. Newly hired employees may be designated by the CEO and approved by the Compensation Committee as eligible for an award as determined by their date of hire or any relevant employment agreement. A Plan participant must be in the same or equivalent position, at year-end as they were when named a participant or have been promoted during the course of the year, to be eligible for an award. If a Plan participant voluntarily leaves the company prior to the payment of the award, he/she is not eligible to receive an award unless mutually agreed upon prior to the Executive leaving the company. However, if the active full-time service of a participant in the Plan is terminated by death, disability, retirement, or if the participant is on an approved leave of absence, an award will be recommended for such a participant based on the proportion of the Plan Year that he/she was in active service.

SECTION III - ACTIVATING THE PLAN

The operation of the Plan is predicated on attaining and exceeding management performance goals. The goals will consist of the attainment of certain Earnings Per Share (EPS) levels as applicable. Non-recurring events including changes in tax laws and accounting rules may be excluded from the financial results at the discretion of the CEO and upon approval of the Compensation Committee. The Corporation must achieve a minimum EPS set forth in Appendix A and Division Heads must achieve their respective budgets to trigger an award pursuant to the terms of this Plan.

SECTION IV - CALCULATION OF AWARDS

The Compensation Committee designates the incentive formula as shown in Appendix A. The Compensation Committee will make final decisions with respect to all incentive awards and will have final approval over all incentive awards. The individual participant data regarding maximum award and formulas used in calculation has been customized and appears as Appendix A.

SECTION V - SPECIAL RECOMMENDATIONS

The CEO will recommend to the Compensation Committee the amounts to be awarded to individual participants in the incentive Plan. The CEO may recommend a change outside the formula to a bonus award (increase or decrease) to an individual participant by a specified percentage based on assessment of special individual performance outside the individual goals or based on special circumstances that may have occurred during the plan year. The Compensation Committee may amend the CEO's bonus award. No award will be granted to an Executive whose performance is unacceptable.

SECTION VI - DISTRIBUTION OF AWARDS

Distribution of the EICP will be made during the first quarter of the year following the plan. Distribution of the award must be approved by the Compensation Committee.

In the event of death, any approved award earned under the provisions of this plan will become payable to the designated beneficiary of the participant as recorded under the Company's group life insurance program; or in the absence of a valid designation, to the participant's estate.

SECTION VII - PLAN ADMINISTRATION

The Compensation Committee shall, with respect to the Plan have full power and authority to construe, interpret, manage, control and administer this Plan. The Committee shall decide upon cases in conformity with the objectives of the Plan under such rules as the Board of Directors may establish.

Any decision made or action taken by NBT Bancorp Inc., the Board of Directors, or the Compensation Committee arising out of, or in connection with, the administration, interpretation, and effect of the Plan shall be at their absolute discretion and will be conclusive and binding on all parties. No member of the Board of Directors, Compensation Committee, or employee shall be liable for any act or action hereunder, whether of omission or commission, by a Plan participant or employee or by any agent to whom duties in connection with the administration of the Plan have been delegated in accordance with the provision of the Plan.

SECTION VIII - AMENDMENT, MODIFICATION, SUSPENSION OR TERMINATION

NBT Bancorp Inc. reserves the right, by and through its Board of Directors to amend, modify, suspend, reinstate or terminate all or part of the Plan at any time. The Compensation Committee will give prompt written notice to each participant of any amendment, suspension or termination or any material modification of the Plan. In the event of a merger or acquisition, the Plan and related financial formulas will be reviewed and adjusted to take into account the effect of such activities.

SECTION IX - EFFECTIVE DATE OF THE PLAN

The effective date of the Plan shall be January 1, 2006.

SECTION X - EMPLOYER RELATION WITH PARTICIPANTS

Neither establishment nor the maintenance of the Plan shall be construed as conferring any legal rights upon any participant or any person for a continuation of employment, nor shall it interfere with the right of an employer to discharge any participant or otherwise deal with him/her without regard to the existence of the Plan.

SECTION XI - GOVERNING LAW

Except to the extent pre-empted under federal law, the provisions of the Plan shall be construed, administered and enforced in accordance with the domestic internal law of the State of New York. In the event of relevant changes in the Internal Revenue Code, related rulings and regulations, changes imposed by other regulatory agencies affecting the continued appropriateness of the Plan and awards made thereunder, the Board may, at its sole discretion, accelerate or change the manner of payments of any unpaid awards or amend the provisions of the Plan.

Exhibit 10.10

Amendment dated December 19, 2005 to Form of Employment Agreement between NBT Bancorp Inc. and Daryl R. Forsythe made as of August 2, 2003.

December 19, 2005

Daryl R. Forsythe
21 Ridgeland Road
Norwich, New York 13815

Re: Employment Agreement and Change in Control -- Severance Agreement Amendment

Dear Daryl:

As you are aware, in 2004 a new Section 409A was added to the Internal Revenue Code by the American Jobs Creation Act of 2004 (the “Act”). The Act has made significant changes in the tax law as it is applied to executive compensation. In late September of 2005 the Internal Revenue Service published proposed regulations relating to compliance with the Jobs Act. As a “key employee” severance payments made to you on termination from employment under the terms of your current employment agreement with NBT Bancorp Inc.¹ (“Employment Agreement”) must be made in compliance with the Act or a substantial excise tax (payable by you) will be imposed.

Your Employment Agreement provides that you would be entitled to certain severance payments if your relationship with NBT Bancorp Inc. was involuntarily terminated (other than “for cause”) or you resigned for Good Reason, as those terms are defined in your Employment Agreement. Pursuant to the Employment Agreement, severance payments would begin on the date immediately following the Termination Date (as defined in your Employment Agreement) and continue for the term set forth in your Employment Agreement.

Your Change in Control -- Severance Agreement² (“Severance Agreement”) provides that you would be entitled to severance payments if, within 24 months following a Change in Control of NBT Bancorp Inc., your employment as Chief Executive Officer was involuntarily terminated (other than for “Cause”) or you resigned for Good Reason (or without Good Reason within 12 months following a Change in Control of NBT Bancorp Inc.), as those terms are defined in your Severance Agreement. Pursuant to the Severance Agreement, severance payment would begin not later than the fifth business day following your Date of Termination (as defined in your Severance Agreement) and continue for the term set forth in your Severance Agreement.

¹ Dated August 2, 2003, and as revised on January 1, 2005.

² Dated July 23, 2001.

If the severance payments provided for in your Employment Agreement or your Severance Agreement were made as described therein the Act provides that these payments would be subject to the excise tax of 20% of the severance payment.

Under the Act, one of the ways to avoid application of the excise tax to severance due a “key employee” under the terms of an employment agreement such as yours is to defer payment for six (6) months after separation from employment. Accordingly, the Compensation and Benefits Committee of NBT Bancorp Inc. has determined that in the event that you become entitled to severance payments under your Employment Agreement and/or Severance Agreement, it will defer commencement of those payments until six (6) months after your relationship with NBT Bancorp Inc. ends. In all other respects, both your Employment Agreement and your Severance Agreement shall remain in full force and effect.

In accordance with section 10 of the Employment Agreement and section 10 of the Severance Agreement, please sign the acknowledgement and agreement set forth below and return one original to me. The other original is for your files.

Very truly yours,
NBT BANCORP INC.

By:/S/ Michael J. Chewens
Michael J. Chewens
Senior Executive Vice President
and Chief Financial Officer

Acknowledged and Agreed to:

/S/ Daryl R. Forsythe
Daryl R. Forsythe
Chairman and Chief Executive Officer

Date: December 19, 2005

Exhibit 10.11

Supplemental Retirement Agreement between NBT Bancorp Inc., NBT Bank, National Association and Daryl R. Forsythe as amended and restated effective January 1, 2005.

Supplemental Retirement Agreement
(as amended and restated effective January 1 2005)
(Revised)

This sets forth the terms of an agreement for the payment of supplemental retirement income ("Agreement") made as of January 1, 1995 (and as revised on April 28, 1998, January 1, 2000, January 1, 2001, August 2, 2003 and again as of January 1, 2005) between (i) **NBT BANCORP INC.**, a Delaware corporation and a registered bank holding company, and **NBT BANK, NATIONAL ASSOCIATION**, a national banking association chartered under the laws of the United States, both having offices located at Norwich, New York (collectively, the "Bank"), and (ii) **DARYL R. FORSYTHE**, an individual residing at 21 Ridgeland Road, Norwich, New York 13815, and who is a member of a select group of management or highly compensated employees within the meaning of section 201(2) of the Employee Retirement Income Security Act of 1974, as amended ("Forsythe").

1. Purpose of the Agreement. The purpose of this Agreement is to provide Forsythe a supplemental retirement benefit in accordance with the terms of this Agreement

2. Definitions. For purposes of this Agreement, the following words shall have the meaning indicated:

(a) **Actuarial Equivalent.** "Actuarial Equivalent" shall have the same meaning the term "Actuarial Equivalent" has under Section 2.03 of Appendix A to the Qualified Plan (*i.e.*, the NBT BANCORP INC. Defined Benefit Pension Plan, as amended and restated as of October 1, 1989, including amendments adopted through August 31, 1998) using the following actuarial assumptions:

(i) **Mortality:** "Applicable Mortality Rate" as such term is defined in Section 2.03c of said Appendix A to the Qualified Plan

(ii) **Interest Rate:** "Applicable Interest Rate" as such term is defined in Section 2.09b of said Appendix A to the Qualified Plan

(b) **Beneficiary.** "Beneficiary" shall mean such living person or living persons designated by Forsythe in accordance with subsection 5(a) herein to receive benefits under this Agreement after his death, or his personal or legal representative, all as herein described and provided. Except as provided in subsection 6(b) herein, if no Beneficiary is designated by Forsythe or if no Beneficiary survives Forsythe, the Beneficiary shall be Forsythe's estate.

(c) **Cause.** "Cause" shall mean Forsythe's:

(i) willful or gross misconduct with respect to the business and affairs of the Bank, or with respect to any of its affiliates for which Forsythe is assigned material responsibilities or duties;

(ii) conviction of a felony (after the earlier of the expiration of any applicable appeal period without perfection of an appeal by Forsythe or the denial of any appeal as to which no further appeal or review is available to Forsythe) whether or not committed in the course of his employment by the Bank;

(iii) willful neglect, failure, or refusal to carry out his duties under the Employment Agreement between NBT Bancorp Inc. and Forsythe dated as of August 2, 2003 (and revised as of January 1, 2005) (the "Employment Agreement") in a reasonable manner (other than any such failure resulting from disability or death or from termination by Forsythe for Good Reason, as defined in the Employment Agreement) after a written demand for substantial performance is delivered to Forsythe that specifically identifies the manner in which the Bank believes that Forsythe has not substantially performed his duties and he has not resumed substantial performance of his duties on a continuous basis within thirty days of receiving such demand; or

(iv) breach of any representation or warranty in section 6(a) of the Employment Agreement or of any agreement contained in section 1, 4, 5, or 6(b) of the Employment Agreement, which breach is material and adverse to the Bank or any of its affiliates for which Forsythe is assigned material responsibilities or duties.

(d) **Change of Control.** "Change of Control" shall mean a Change in Control as such term is defined in the Change of Control Agreement between Forsythe and the Bank dated January 1, 2000 (a revision of the April 28, 1998 and February 21, 1995 agreements).

(e) **Code.** "Code" shall mean the Internal Revenue Code of 1986, as amended.

(f) **Determination Date.** "Determination Date" shall mean the date of Forsythe's retirement as a Full-Time Employee.

(g) **Final Average Compensation.** "Final Average Compensation" shall have the same meaning as the term "Final Average Compensation" has under Section 2.27 of Appendix A to the Qualified Plan (*i.e.*, the NBT BANCORP INC. Defined Benefit Pension Plan, as amended and restated as of October 1, 1989, including amendments adopted through August 31, 1998), except that in determining the amount of Compensation (as defined in Section 2.14 of said Appendix A to the Qualified Plan) to be used in calculating Final Average Compensation under Section 2.27 of said Appendix A to the Qualified Plan, Compensation shall not be subject to the compensation limitation of section 401(a)(17) of the Code.

(h) **Full-Time Employee.** “Full-Time Employee” shall mean an employee of the Bank who works not less than 1,000 hours in a calendar year.

(i) **Other Retirement Benefits.** “Other Retirement Benefits” shall mean the sum of:

(i) The annual benefit payable to Forsythe from the Qualified Plan, plus

(ii) The annual benefit that could be provided by (A) Bank contributions (other than elective deferrals) made on Forsythe’s behalf under the NBT Bancorp Inc. 401(k) and Employee Stock Ownership Plan, and (B) actual earnings on contributions in (A), if such contributions and earnings were converted to a benefit payable at age 65 in the same form as the benefit paid under this Agreement, using the same actuarial assumptions as are provided under subsection 2(a).

The amount of Other Retirement Benefits shall be determined by an actuary selected by the Bank, with such determination to be made without reduction for payment of benefits prior to any stated “normal retirement date” and without regard to whether Forsythe is receiving payment of such benefits on the Determination Date.

(j) **Present Value.** “Present Value” shall mean the present value of a benefit determined on the basis of the following actuarial assumptions:

(i) **Mortality:** “Applicable Mortality Rate” as such term is defined in Section 2.03c of Appendix A to the Qualified Plan (*i.e.*, the NBT BANCORP INC. Defined Benefit Pension Plan, as amended and restated as of October 1, 1989, including amendments adopted through August 31, 1998).

(ii) **Interest Rate:** “Applicable Interest Rate” as such term is defined in Section 2.09b of said Appendix A to the Qualified Plan.

(k) **Qualified Plan.** “Qualified Plan” shall mean the NBT BANCORP INC. Defined Benefit Pension Plan, as amended and restated effective as of January 1, 2000.

(l) **Social Security Benefit.** “Social Security Benefit” shall mean Forsythe’s actual social security benefit at his Social Security Retirement Age.

(i) **Social Security Retirement Age.** “Social Security Retirement Age” shall have the same meaning the term “Social Security Retirement Age” has under Section 2.58 of Appendix A to the Qualified Plan (*i.e.*, the NBT BANCORP INC. Defined Benefit Pension Plan, as amended and restated as of October 1, 1989, including amendments adopted through August 31, 1998).

(m) **Year of Service.** “Year of Service” shall mean a calendar year in which Forsythe completes not less than 1,000 hours of service.

3. Amount of Supplemental Retirement Benefit

(a) Supplemental Retirement Benefit.

(i) **Amount Payable as a Cash Benefit.** Upon Forsythe’s retirement as a Full-Time Employee, the Bank shall pay Forsythe a Supplemental Retirement Benefit the amount (as apportioned in paragraphs A and B below and section 4 herein) of which shall be calculated in accordance with the benefit formula set forth in Appendix A attached to this Agreement.

A. Accrued Benefit as of December 31, 2004. Starting from January 1, 1995, Forsythe has continuously accrued a supplemental cash retirement benefit under previous versions of the Agreement through, and including, December 31, 2004 (the “Pre-2005 Accrued Cash Benefit”). It is the Bank’s intention that the Pre-2005 Accrued Cash Benefit shall be deemed a “grandfathered” benefit with respect to the application of section 409A of the Code. The Pre-2005 Accrued Cash Benefit shall be based on a ratio of a numerator of 10, over a denominator of 13.6667 (equal to Forsythe’s total years of Full-Time Employee service with the Bank commencing January 1995, assuming he continues in service until age 65).

B. Post-2004 Accrual of Benefits. Starting from January 1, 2005, through and including Forsythe’s retirement from Full-Time Employee service with the Bank, Forsythe shall continue to accrue a supplemental cash retirement benefit under the Agreement (the “Post-2004 Accrued Cash Benefit”). The Post-2004 Accrued Cash Benefit shall be subject to the application of section 409A of the Code. The Post-2004 Accrued Cash Benefit shall be based on a ratio of a numerator equal to Forsythe’s years of Full-Time Employee service with the Bank commencing from January 1995 through Forsythe’s retirement, over a denominator of 13.6667 (equal to Forsythe’s total years of Full-Time Employee service with the Bank commencing January 1995, assuming he continues in service until age 65), less the Accrued Benefit as of December 31, 2004.

(ii) **Continued Medical Benefits.** Upon Forsythe’s retirement, the Bank will continue in force the same level of medical benefits (including but not limited to medical, dental and vision care) that were in effect at the time of Executive’s retirement at the same cost sharing as in effect at the time of Executive’s retirement, for Executive and for his spouse (if alive) until their deaths. Any subsequent adjustments (including levels and cost) made to the Bank’s benefit plans shall effect Forsythe in the same manner as they would had he been employed at the same level as of the date of his retirement.

4. Time of Payment.

Except as provided in section 6 (payment on death), the Bank shall commence payment of the Pre-2005 Accrued Cash Benefit as of the month immediately following the month of Forsythe’s retirement as a Full-Time Employee; provided, however, no payment of the Post-2004 Accrued Cash Benefit shall commence earlier than the first day of the seventh (7th) month following Forsythe’s “separation from service” as that phrase is defined for purposes of section 409A of the Code. Forsythe’s continued medical benefits shall continue in force uninterrupted as stated in paragraph 3(a)(ii) herein.

5. Form of Payment.

(a) The Accrued Cash Benefits described in sections 3 and 4 herein shall be paid as a straight life annuity, payable in monthly installments, for Forsythe's life; provided, however, that if Forsythe has no surviving spouse and dies before having received 60 monthly payments, such monthly payments shall be continued to his Beneficiary until the total number of monthly payments to Forsythe and his Beneficiary equal 60, whereupon all payments shall cease and the Bank's obligation under this Agreement shall be deemed to have been fully discharged. If Forsythe and his Beneficiary shall die before having received a total of 60 monthly payments, an amount equal to the Actuarial Equivalent of the balance of such monthly payments shall be paid in a single sum to the estate of the survivor of Forsythe and his Beneficiary. If Supplemental Retirement Benefits are payable in the form described in this subsection 5(a), Forsythe shall designate in writing, as his Beneficiary, any person or persons, primarily, contingently or successively, to whom the Bank shall pay benefits following Forsythe's death if Forsythe's death occurs before 60 monthly payments have been made.

(b) Notwithstanding the form of payment described in subsection 5(a), if Forsythe is married on the date payment of the Accrued Cash Benefit commences, the benefit shall be paid as a 50% joint and survivor annuity with Forsythe's spouse as the Beneficiary. The 50% joint and survivor annuity shall be the Actuarial Equivalent of the benefit described in subsection 5(a). If the Accrued Cash Benefit is payable pursuant to this subsection 5(b), but Forsythe's spouse fails to survive him, no payments will be made pursuant to this Agreement following Forsythe's death.

© Notwithstanding the foregoing provisions of this section 5, the Bank, in its sole discretion, may accelerate the payment of all or any portion of the Pre-2005 Accrued Cash Benefit at any time. Any Pre-2005 Accrued Cash Benefit payment accelerated in accordance with this subsection 5(c) shall be the Actuarial Equivalent of the payment being accelerated. Except as provided in subsection 6(b) herein, there shall be no acceleration of the Post-2004 Accrued Cash Benefit.

6. Payments upon Forsythe's Death.

(a) Except as provided in subsections 6(b) and (c) and Appendix A section 4, if Forsythe shall die before his retirement from the Bank, no payment shall be due his spouse or estate under this Agreement

(b) If Forsythe's death shall occur after his retirement from the Bank, but before payment of any Pre-2005 Accrued Cash Benefit has commenced, Forsythe's surviving spouse shall be paid as a straight annuity, 50 percent of the total (both Pre-2005 and Post-2004) Accrued Cash Benefit for her life commencing within 30 days following Forsythe's death, calculated in accordance with subsection 3(a). Such payments shall be made in monthly installments, subject to the right of the Bank to accelerate payment at any time, notwithstanding subsection 5(c). However, if Forsythe's spouse fails to survive him, the Bank shall pay to Forsythe's estate a lump sum benefit equal to 50 percent of the Present Value of Forsythe's total Accrued Cash Benefit.

(c) Except as otherwise provided in subsection 6(b), no payments shall be made under this Agreement if Forsythe dies before payment of any Accrued Cash Benefit begins and his spouse fails to survive him.

(d) If Forsythe's death shall occur after payment of an Accrued Cash Benefit has commenced, Forsythe surviving spouse or other Beneficiaries shall receive payments under this Agreement to the extent provided in section 5.

7. Forfeiture for Cause. Notwithstanding any other provision of this Agreement, if Forsythe's employment with the Bank is terminated for Cause, Forsythe and his spouse or other Beneficiaries shall forfeit all rights to any payment or other benefit under this Agreement.

8. Powers. The Bank shall have such powers as may be necessary to discharge its duties under this Agreement, including the power to interpret and construe this Agreement and to determine all questions regarding employment, disability status, service, earnings, income and such factual matters as birth and marital status. The Bank's determinations hereunder shall be conclusive and binding upon the parties hereto and all other persons having or claiming an interest under this Agreement. The Bank shall have no power to add to, subtract from, or modify any of the terms of this Agreement. The Bank's determinations hereunder shall be entitled to deference upon review by any court, agency or other entity empowered to review its decisions, and shall not be overturned or set aside by any court, agency or other entity unless found to be arbitrary, capricious or contrary to law.

9. Claims Procedure.

(a) Any claim for benefits by Forsythe, his spouse or other Beneficiaries shall be made in writing to the Bank. In this section, Forsythe and his Beneficiaries are referred to as "claimants."

(b) If the Bank denies a claim in whole or in part, it shall send the claimant a written notice of the denial within 90 days after the date it receives a claim, unless it needs additional time to make its decision. In that case, the Bank may authorize an extension of an additional 90 days if it notifies the claimant of the extension within the initial 90-day period. The extension notice shall state the reasons for the extension and the expected decision date.

(c) A denial notice shall contain:

- (i) The specific reason or reasons for the denial of the claim;
- (ii) Specific reference to pertinent Agreement provisions upon which the denial is based;
- (iii) A description of any additional material or information necessary to perfect the claim, with an explanation of why the material or information is necessary; and
- (iv) An explanation of the review procedures provided below.

(d) Within 60 days after the claimant receives a denial notice, he or she may file a request for review with the Bank. Any such request must be made in writing.

(e) A claimant who timely requests review shall have the right to review pertinent documents, to submit additional information or written comments, and to be represented.

(f) The Bank shall send the claimant a written decision on any request for review within 60 days after the date it receives a request for review, unless an extension of time is needed, due to special circumstances. In that case, the Bank may authorize an extension of an additional 60 days, provided it notifies the claimant of the extension within the initial 60-day period.

(g) The review decision shall contain:

- (i) The specific reason or reasons for the decision; and
- (ii) Specific reference to the pertinent Agreement provisions upon which the decision is based.

(h) If the Bank does not send the claimant a review decision within the applicable time period, the claim shall be deemed denied on review.

(i) The denial notice or, in the case of a timely review, the review decision (including a deemed denial under subsection 9(h)) shall be the Bank's final decision.

10. **Assignment.** Neither Forsythe nor his spouse or other Beneficiaries may transfer his, her or their right to payments to which he, she or they are entitled under this Agreement. Except insofar as may otherwise be required by law, any Supplemental Retirement Benefit payable under this Agreement shall not be subject in any manner to alienation by anticipation, sale, transfer, assignment, pledge or encumbrance, nor subject to the debts, contracts, or liabilities of Forsythe or his spouse or other Beneficiaries.

11. **Continued Employment.** This Agreement shall not be construed as conferring on Forsythe a right to continued employment with the Bank.

12. **Funding.**

(a) The Supplemental Retirement Benefit at all times shall be entirely unfunded, and no provision shall at any time be made with respect to segregating any assets of the Bank for payments of any benefits hereunder, except that in the event of a Change of Control, the Bank, within five (5) days of such Change of Control, shall fund a grantor trust within the meaning of section 671 of the Code with an amount sufficient to cover all potential liabilities under this Agreement.

(b) Neither Forsythe nor his spouse or other Beneficiaries shall have any interest in any particular assets of the Bank by reason of the right to receive a benefit under this Agreement. Forsythe and his spouse or other Beneficiaries shall have only the rights of general unsecured creditors of the Bank with respect to all rights under this Agreement.

(c) Nothing contained in this Agreement shall constitute a guarantee by the Bank or any entity or person that the assets of the Bank will be sufficient to pay any benefit hereunder.

13. **Withholding.** Any payment made pursuant to this Agreement shall be reduced by federal and state income, FICA or other employee payroll, withholding or other similar taxes the Bank may be required to withhold. In addition, as the Accrued Cash Benefit accrues during Forsythe's employment with the Bank, the Bank may withhold from Forsythe's regular compensation from the Bank any FICA or other employee payroll, withholding or other similar taxes the Bank may be required to withhold.

14. **Successors and Assigns.** This Agreement shall be binding upon, and shall inure to the benefit of, the successors and assigns of the Bank.

15. **Applicable Laws.** This Agreement shall be construed and administered in accordance with the laws of the State of New York, except to the extent preempted by federal law.

16. **Amendment.** This Agreement may not be amended, modified or otherwise altered except by written instrument executed by both parties.

17. **Entire Agreement.** This Agreement constitutes the entire agreement and understanding of the parties, and supersedes all prior agreements or understanding (whether oral or written) between the parties relating to deferred compensation and/or supplemental retirement income.

The parties hereby execute this Agreement as follows:

NBT BANCORP INC.

By: /S/ Michael J. Chewens

Dated: December 19, 2005

Its: Secretary

NBT BANK, NATIONAL ASSOCIATION

By: /S/ Michael J. Chewens

Dated: December 19, 2005

Its: Secretary

Dated: December 19, 2005

/S/ Daryl R. Forsythe

DARYL R. FORSYTHE

APPENDIX A

(To The Supplemental Retirement Agreement Amended and Restated as of January 1, 2005)

1. Supplemental Retirement Benefit Formula for Purposes of Agreement Section 3.

a. **Amount Payable on and after Age 65.** If Forsythe shall remain employed by the Bank until reaching his 65th birthday, serving as a Full-Time Employee until such date, and subject to the other terms and conditions of this Agreement, the Bank shall pay Forsythe an annual "Supplemental Retirement Benefit" determined as follows:

i. **On and after Age 65 but before Social Security Retirement Age.** Forsythe shall be entitled to a Supplemental Retirement Benefit on and after his 65th birthday but before his Social Security Retirement Age in an amount equal to the excess of (1) 75 percent of Forsythe's Final Average Compensation, over (2) Forsythe's Other Retirement Benefits, determined as of the Determination Date and calculated in accordance with Agreement subsection 2(i).

ii. **On and after Social Security Retirement Age.** Forsythe shall be entitled to a Supplemental Retirement Benefit on and after his Social Security Retirement Age in an amount equal to the excess of (1) 75 percent of Forsythe's Final Average Compensation, over (2) the sum of (aa) Forsythe's Other Retirement Benefits, determined as of the Determination Date and calculated in accordance with Agreement subsection 2(i), plus (bb) Forsythe's Social Security Benefit.

b. **Amount Payable on and after Age 56 but before Age 60.** If Forsythe shall remain employed by the Bank until reaching his 56th birthday, serving as a Full-Time Employee until such date and he continues to serve as a Full-Time Employee until the date of his retirement, and he retires then or thereafter but before reaching his 60th birthday, and subject to the other terms and conditions of the Agreement, the Bank shall pay Forsythe on his 60th birthday, pursuant to Appendix section 3, or to his spouse or other Beneficiary, pursuant and subject to Appendix section 4 if he has died before his 60th birthday, a reduced early Supplemental Retirement Benefit calculated in accordance with Appendix section 2 and the following schedule;

i. If the date of Forsythe's retirement shall be on or after his 56th birthday but before his 57th birthday, the Bank shall pay Forsythe 20% of the reduced early Supplemental Retirement Benefit so calculated;

ii. If the date of Forsythe's retirement shall be on or after his 57th birthday but before his 58th birthday, the Bank shall pay Forsythe 40% of the reduced early Supplemental Retirement Benefit so calculated;

iii. If the date of Forsythe's retirement shall be on or after his 58th birthday but before his 59th birthday, the Bank shall pay Forsythe 60% of the reduced early Supplemental Retirement Benefit so calculated; and

iv. If the date of Forsythe's retirement shall be on or after his 59th birthday but before his 60th birthday, the Bank shall pay Forsythe 80% of the reduced early Supplemental Retirement Benefit so calculated.

c. **Amount Payable on and after Age 60 but before Age 65.** If Forsythe shall remain employed by the Bank until reaching his 60th birthday, serving as a Full-Time Employee until such date and he continues to serve as a Full-Time Employee until the date of his retirement, and he retires then or thereafter but before reaching his 65th birthday, and subject to the other terms and conditions of this Agreement, the Bank shall pay Forsythe a reduced early Supplemental Retirement Benefit calculated in accordance with Appendix section 2 except that at age 62 the amount shall not be less than an amount equal to the excess of (A) 65% of Forsythe's Final Average Compensation over (B) Forsythe's Other Retirement Benefits determined as of the Determination Date and calculated in accordance with Agreement section 2(i).

2. **Early Supplemental Retirement Benefit.** If the Bank commences payment of a reduced early Supplemental Retirement Benefit before Forsythe reaches age 65, the amount paid shall equal the product of (i) the Supplemental Retirement Benefit, as calculated under Appendix section 1(a)(i), times (ii) a fraction, the numerator of which shall be the number of complete months of Forsythe's employment with the Bank after January 1, 1995, and the denominator of which is 164 (the number of complete months of employment Forsythe would have had after January 1, 1995 if he remained employed by the Bank until the first day of the month following his 65th birthday).

3. **Payment.** Subject only to the section 409A of the Code rules regarding distribution of any portion of the Post-2004 Accrued Cash Benefit, the Bank shall commence payment of a reduced early Supplemental Retirement Benefit on the first day of the month following Forsythe's Determination Date in connection with early retirement after reaching age 60 and prior to the date of his 65th birthday; provided that, if Forsythe shall retire prior to his 60th birthday as permitted in this Agreement, the Bank shall commence payment of the reduced early Supplemental Retirement Benefit on the first day of the month following Forsythe's 60th birthday.

4. **Death.** If Forsythe dies before his 60th birthday and on or after his 56th birthday, before payment of any Supplemental Retirement Benefit has commenced, Forsythe's surviving spouse shall be paid, in monthly installments, as a straight life annuity, 50 percent of such Supplemental Retirement Benefit for her life commencing within 30 days following Forsythe's death, calculated in accordance with Appendix subsection 1(b) and, if such death occurs while Forsythe is employed by the Bank, as if he had retired on the day before his death, subject to the right of the Bank to accelerate such payments as provided in Agreement subsection 5(c). However, if Forsythe's spouse fails to survive him, the Bank shall pay to Forsythe's estate a lump sum benefit equal to 50 percent of the Present Value of Forsythe's Supplemental Retirement Benefit, calculated as provided in the preceding sentence.

Exhibit 10.12

Death Benefits Agreement between NBT Bancorp Inc., NBT Bank, National Association and Daryl R. Forsythe made August 22, 1995.

DEATH BENEFITS AGREEMENT

THIS AGREEMENT, made and entered into this 22nd day of August, 1995, by and among NBT Bancorp Inc., a Delaware corporation and registered bank holding company, and NBT Bank, National Association, a national banking association organized under the laws of the United States (hereinafter referred to collectively as the "Bank") and Daryl R. Forsythe, an individual residing at 13 Concord Street, Sidney, New York, NY 13838 (hereinafter referred to as the "Employee").

WHEREAS, the Bank has retained the Employee as its president and chief executive officer; and

WHEREAS, the Bank is desirous of retaining the services of the Employee; and

WHEREAS, the Bank is desirous of assisting the Employee in carrying life insurance on his life; and

WHEREAS, the Bank has determined that its interests can best be served under a "split-dollar" arrangement; and

WHEREAS, the Bank and the Employee have applied for Insurance Policy No. 8876212 (the "Policy") issued by the New England Mutual Life Insurance Company ("The New England") in the face amount of \$800,000 on the Employee's life; and

WHEREAS, the Bank and the Employee agree to make said insurance policy subject to this split-dollar agreement; and

WHEREAS, it is now understood and agreed that this split-dollar agreement is to be effective as of the date on which the Policy was issued by The New England.

NOW, THEREFORE, for value received and in consideration of the mutual covenants contained herein, the parties agree as follows:

ARTICLE I - DEFINITIONS

For purposes of this Agreement, the following terms will have the meanings set forth below:

1. "Cash Surrender Value of the Policy" will mean the Cash Value of the Policy, plus the cash value of any paid-up additions, plus any dividend accumulations and unpaid dividends, and less any Policy Loan Balance.
 2. "Cash Value of the Policy" will mean the cash value as illustrated in the table of values shown in the Policy.
 3. "Bank's Interest in the Policy" will be defined in Article VII.
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4. "Current Loan Value of the Policy" will mean the Loan Value of the Policy reduced by any outstanding Policy Loan Balance.
5. "Loan Value of the Policy" will mean the amount which together with loan interest will equal the Cash Value of the Policy and of any paid-up additions on the next loan interest due date or on the next premium due date, whichever is the smaller amount.
6. "Policy Loan Balance" at any time will mean policy loans outstanding plus interest accrued to date.

ARTICLE II - ALLOCATION OF PREMIUMS

The Bank will pay all premiums on the Policy when due.

ARTICLE III - WAIVER OF PREMIUMS RIDER

The Bank has added a rider to the Policy providing for the waiver of premiums in the event of the Employee's disability. Any additional premium attributable to such rider will be payable by the Bank.

ARTICLE IV - OTHER RIDERS AND SUPPLEMENTAL AGREEMENTS

Should the parties to this Agreement deem it desirable, the Bank will add to the Policy one or more of such other riders and supplemental agreements which may be available from The New England from time to time. Any additional premium attributable to any such rider or supplemental agreement will be payable by the Bank. Notwithstanding the provisions of Article VIII, any additional death benefits provided by such rider or supplemental agreement will be paid to the Bank, unless otherwise agreed to by the parties at the time of the adoption of the particular rider or supplemental agreement.

ARTICLE V - PAYMENT OF PREMIUMS

Any premium or portion thereof which is payable by the Employee under any Article of this Agreement may at the election of the Employee be deducted from the cash compensation otherwise payable to him, and the Bank agrees to transmit that premium or portion, along with any premium or portion thereof payable by it, to The New England on or before the premium due date.

ARTICLE VI - APPLICATION OF POLICY DIVIDENDS

All dividends attributable to the Policy will be to provide paid-up additional insurance.

ARTICLE VII - RIGHTS IN THE POLICY

The Employee will have the sole right to designate the beneficiary of the death proceeds of the Policy in excess of the Bank's Interest in the Policy. The Bank will have and may exercise, except as limited hereinafter, all ownership rights in the Policy. The Bank will not surrender the policy for cancellation except upon expiration of the thirty (30) day period described in Article X. The Bank will not without the written consent of the Employee assign its rights in the Policy, other than for the purposes of obtaining a loan against the Policy, to anyone other than the Employee. The Bank will not take any action dealing with The New England that would impair any right or interest of the Employee in the Policy. The Bank will have the right to borrow from The New England and to secure that loan by the Policy, an amount which, together with the unpaid interest accrued thereon, will at no time exceed the lesser of (a) the Bank's Interest in the Policy or (b) the Loan Value of the Policy. "Bank's Interest in the Policy" will mean, at any time at which the value of such interest is to be determined under this Agreement, the Cash Surrender Value of the Policy at such time.

ARTICLE VIII - RIGHTS TO THE PROCEEDS AT DEATH

In the event of the Employee's death while this Agreement is in force, the beneficiary designated by the Employee will receive \$600,000 from the Policy proceeds. The Bank will receive the remainder of the Policy proceeds.

ARTICLE IX - TERMINATION OF AGREEMENT

1. This Agreement may be terminated at any time while the Employee is living by written notice thereof by either the Bank or the Employee to the other; and, in any event, this Agreement will terminate upon termination of the Employee's employment.
2. In the event of the Employee's total disability, as defined in the rider, which begins while the Employee is employed, while the rider is in force, and which continues for at least six months, the benefits provided under this Agreement will continue until midnight before the Employee's 65th birthday. If at any time following the initial six month period of disability as defined in the rider The New England stops waiving premiums, then Section 1 of this Article will again be applicable.

ARTICLE X - EMPLOYEE RIGHTS UPON TERMINATION

Upon termination of the Agreement, the Employee will transfer all of his right, title and interest in the Policy to the Bank, by executing such documents as are necessary to transfer such right, title and interest as of the date of termination. The Bank will thereafter be able to deal with the Policy in any way it may see fit.

ARTICLE XI - PLAN MANAGEMENT

For purposes of the Employee Retirement Income Security Act of 1974 ("ERISA"), the Bank will be the "Named Fiduciary" and "Plan Administrator" of the split dollar life insurance plan (the "Plan") for which this Agreement is hereby designated the written plan instrument. The Bank's board of directors may authorize a person or group of persons to fulfill the responsibilities of the Bank as Plan Administrator. The Named Fiduciary or the Plan Administrator may employ others to render advice with regard to its responsibilities under this Plan. The Named Fiduciary may also allocate fiduciary responsibilities to others and may exercise any other powers necessary for the discharge of its duties to the extent not in conflict with ERISA.

ARTICLE XII - CLAIMS PROCEDURE

1. **Filing Claims:** Any insured, beneficiary or other individual (hereinafter "Claimant") entitled to benefits under the Plan or under the Policy will file a claim request with the Plan Administrator with respect to benefits under the Plan with The New England with respect to benefits under the Policy. The Plan Administrator will, upon written request of the Claimant, make available copies of any claim forms or instructions provided by The New England or advise the Claimant where such forms or instructions may be obtained.
2. **Notification to Claimant:** If a claim is wholly or partially denied, the Plan Administrator will furnish to the Claimant a notice of the decision within ninety (90) days in writing and in a manner calculated to be understood by the Claimant, which notice will contain the following information:
 - (a) The specific reason or reasons for the denial;
 - (b) Specific reference to pertinent Plan provisions upon which the denial is based;
 - (c) A description of any additional material or information necessary for the Claimant to perfect the claim and an explanation of why such material or information is necessary; and
 - (d) An explanation of the Plan's claims review procedure describing the steps to be taken by a Claimant who wishes to submit his claim for review.

In the case of benefits which are provided under the Policy, the initial decision on the claims will be made by The New England.

3. **Review Procedure:** A Claimant or his authorized representative may with respect to any denied claim:
 - (a) Request a review upon written application filed within sixty (60) days after receipt by the Claimant of written notice of the denial of his claim;

- (b) Review pertinent documents; and
- (c) Submit issues and comments in writing.

Any request or submission will be in writing and will be directed to the Named Fiduciary (or its designee). The Named Fiduciary (or its designee) will have the sole responsibility for the review of any denied claim and will take all steps appropriate in the light of its findings.

4. Decision on Review: The Named Fiduciary (or its designee). The Named Fiduciary (or its designee) will render a decision upon review. If special circumstances (such as the need to hold a hearing or any matter pertaining to the denied claim) warrant additional time, the decision will be rendered as soon as possible, but not later than one hundred twenty (120) days after receipt of the request for review. Written notice of any such extension will be furnished to the Claimant prior to the commencement of the extension. The decision on review will be in writing and will include specific reasons for the decision, written in a manner calculated to be understood by the Claimant, as well as specific references to the pertinent provisions of the Plan on which the decision is based. If the decision on review is not furnished to the Claimant with the time limits prescribed above, the claim will be deemed denied on review.

ARTICLE XIII - SATISFACTION OF CLAIM

The Employee agrees that his rights and interests, and the rights and interests of any persons taking under or through him, will be completely satisfied upon compliance by the Bank with the provisions of this Agreement.

ARTICLE XIV - AMENDMENT AND ASSIGNMENT

This Agreement may be altered, amended or modified, including the addition of any extra policy provisions, by a written instrument signed by the Bank and the Employee. Either party may, subject to the limitations of Article VII, assign its interests and obligations under this Agreement, provided, however, that any assignment will be subject to the terms of this Agreement.

ARTICLE XV - POSSESSION OF POLICY

The Bank will keep possession of the Policy. The Bank agrees from time to time to make the Policy available to the Employee or to The New England for the purpose of endorsing or filing any change of beneficiary on the Policy for that portion of the death proceeds in excess of the Bank's Interest in the Policy as provided in Article VII, but the Policy will promptly be returned to the Bank.

ARTICLE XVI - GOVERNING LAW

This Agreement sets forth the entire agreement of the parties hereto, and any and all prior agreements, to the extent inconsistent herewith, are hereby superseded.

This Agreement will be governed by the laws of the State of New York.

ARTICLE XVII - INTERPRETATION

Where appropriate in this Agreement, words used in the singular will include the plural and words used in the masculine will include the feminine.

IN WITNESS WHEREOF, the parties have hereunto set their hands and seals, the Bank by its duly authorized officer, on the day and year first written above.

EMPLOYEE

/s/Daryl R. Forsythe (L.S.)
Daryl R. Forsythe

NBT Bancorp Inc.

/s/Everett A. Gilmour (L.S.)
By
Its Chairman of Board

NBT Bank, National Association

/s/Paul O. Stillman (L.S.)
By
Its Compensation Committee Chairman

Exhibit 10.15

Form of Employment Agreement between NBT Bancorp Inc. and Martin A. Dietrich made as of January 1, 2005.

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement") made and entered into this first day of January 2005, by and between MARTIN A. DIETRICH ("Executive") and NBT BANCORP INC., a Delaware corporation having its principal office in Norwich, New York ("NBTB")

WITNESSETH THAT:

WHEREAS, Executive agrees to serve as president and chief executive officer of NBT Bank, National Association, a wholly-owned subsidiary of NBTB ("NBT Bank"), as president of NBTB from January 1, 2005 to December 31, 2005 and then as president and chief executive officer of NBTB as of January 1, 2006. Further, Executive will serve as a director of NBT Bank and in addition, as of January 1, 2005, will be appointed a director of NBTB and stand for election at the 2005 Annual Meeting of NBTB; and

WHEREAS, NBTB desires to secure the continued employment of Executive, subject to the provisions of this Agreement; and

WHEREAS, Executive is desirous of entering into the Agreement for such periods and upon the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and mutual covenants and agree-ments hereinafter set forth, intending to be legally bound, the parties agree as follows:

1. Employment; Responsibilities and Duties.

(a) NBTB hereby agrees to employ Executive, and Executive hereby agrees to serve in the capacities delineated above during the Term of Employment. Executive shall have such executive duties, responsibilities, and authority as shall be set forth in the bylaws of NBT Bank or as may otherwise be determined by NBTB or by NBT Bank. During the Term of Employment, Executive shall report directly to the chairman of the board of NBTB.

(b) NBTB hereby agrees to cause Executive to be reelected to the board of directors of NBT Bank for successive terms throughout the Term of Employment and further agrees to appoint and subsequently nominate Executive to the board of directors of NBTB as of January 1, 2005.

(c) Executive shall devote his full working time and best efforts to the performance of his responsibilities and duties hereunder. During the Term of Employment, Executive shall not, without the prior written consent of the chairman of the board of NBTB, render services as an employee, independent contractor, or otherwise, whether or not compensated, to any person or entity other than NBTB or its affiliates; provided that Executive may, where involvement in such activities does not individually or in the aggregate significantly interfere with the performance by Executive of his duties or violate the provisions of section 4 hereof, (i) render services to charitable organizations, (ii) manage his personal investments, and (iii) with the prior permission of the chairman of the board of NBTB, hold such other directorships or part-time academic appointments or have such other business affiliations as would otherwise be prohibited under this section 1.

2. Term of Employment.

(a) The term of this Agreement ("Term of Employment") shall be the period commencing on the date of this Agreement (the "Commencement Date") and continuing until the Termination Date, which shall mean the earliest to occur of:

- (i) the fifth anniversary of the Commencement Date, unless the Term of Employment shall be extended by mutual agreement of the parties;
 - (ii) the death of Executive;
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(iii) Executive's inability to perform his duties hereunder, as a result of physical or mental disability as reasonably determined by the personal physician of Executive, for a period of at least 180 consecutive days or for at least 180 days during any period of twelve consecutive months during the Term of Employment; or

(iv) the discharge of Executive by NBTB "for cause," which shall mean one or more of the following:

(A) any willful or gross misconduct by Executive with respect to the business and affairs of NBTB or NBT Bank, or with respect to any of its affiliates for which Executive is assigned material responsibilities or duties;

(B) the conviction of Executive of a felony (after the earlier of the expiration of any applicable appeal period without perfection of an appeal by Executive or the denial of any appeal as to which no further appeal or review is available to Executive) whether or not committed in the course of his employment by NBTB;

(C) Executive's willful neglect, failure, or refusal to carry out his duties hereunder in a reasonable manner (other than any such failure resulting from disability or death or from termination by Executive for Good Reason, as hereinafter defined) after a written demand for substantial performance is delivered to Executive that specifically identifies the manner in which NBTB believes that Executive has not substantially performed his duties and Executive has not resumed substantial performance of his duties on a continuous basis within thirty days of receiving such demand; or

(D) the breach by Executive of any representation or warranty in section 6(a) hereof or of any agreement contained in section 1, 4, 5, or 6(b) hereof, which breach is material and adverse to NBTB or any of its affiliates for which Executive is assigned material responsibilities or duties; or

(v) Executive's resignation from his position as president and chief operating officer of NBT Bank other than for "Good Reason," as hereinafter defined; or

(vi) the termination of Executive's employment by NBTB "without cause," which shall be for any reason other than those set forth in subsections (i), (ii), (iii), (iv), or (v) of this section 2(a), at any time, upon the thirtieth day following notice to Executive; or

(vii) Executive's resignation for "Good Reason."

"Good Reason" shall mean, without Executive's express written consent, reassignment of Executive to a position other than as president and chief operating officer of NBT Bank other than for "Cause," or a decrease in the amount or level of Executive's salary or benefits from the amount or level established in section 3 hereof.

(b) In the event that the Term of Employment shall be terminated for any reason other than that set forth in section 2(a)(vi) or 2(a)(vii) hereof, Executive shall be entitled to receive, upon the occurrence of any such event:

(i) any salary (as hereinafter defined) payable pursuant to section 3(a)(i) hereof which shall have accrued as of the Termination Date; and

(ii) such rights as Executive shall have accrued as of the Termination Date under the terms of any plans or arrangements in which he participates pursuant to section 3(b) hereof, any right to reimbursement for expenses accrued as of the Termination Date payable pursuant to section 3(h) hereof, and the right to receive the cash equivalent of paid annual leave and sick leave accrued as of the Termination Date pursuant to section 3(d) hereof.

(c) In the event that the Term of Employment shall be terminated for the reason set forth in section 2(a)(vi) or 2(a)(vii) hereof, Executive shall be entitled to receive:

(i) any salary payable pursuant to section 3(a)(i) hereof which shall have accrued as of the Termination Date, and, for the period commencing on the date immediately following the Termination Date and ending upon and including the latest of the fifth anniversary of the Commencement Date or the third anniversary of the Termination Date, salary payable at the rate established pursuant to section 3(a)(i) hereof, in a manner consistent with the normal payroll practices of NBTB with respect to executive personnel as presently in effect or as they may be modified by NBTB from time to time; and

(ii) such rights as Executive may have accrued as of the Termination Date under the terms of any plans or arrangements in which he participates pursuant to section 3(b) hereof, any right to reimbursement for expenses accrued as of the Termination Date payable pursuant to section 3(h) hereof, and the right to receive the cash equivalent of paid annual leave and sick leave accrued as of the Termination Date pursuant to section 3(d) hereof.

(iii) if, within eighteen (18) months following the Termination Date, Executive should sell his principal residence in the Norwich Rand McNally Metropolitan Area as determined by Rand McNally & Company (the "Norwich RMA") and relocate to a place outside of the Norwich RMA, (A) reimbursement for any shortfall between the net proceeds on the sale of his principal residence and the purchase price plus improvements, including direct, necessary and reasonable transaction costs incurred in connection with such purchase, as determined by the chief financial officer of NBTB, for such residence, and including direct, necessary and reasonable expenses, as determined by the chief financial officer of NBTB, incurred to prepare the residence for sale, (B) reimbursement for direct, necessary and reasonable expenses, as determined by the chief financial officer of NBTB, incurred in connection with the sale of such residence not already included as part of the reimbursement under (A) above, and (C) an amount necessary to pay all federal, state and local income taxes resulting from any reimbursement made pursuant to (A) and (B) (including any additional federal, state and local income taxes resulting from the payment hereunder of such taxes), the intent being that Executive shall be paid an additional amount (the "Gross-Up") such that the net amount retained by the Executive, after deduction of such federal, state and local income taxes resulting from the reimbursement under (A) and (B) shall be equal to the amount of the reimbursement under (A) and (B) before payment of such taxes; for purposes of determining the amount of the Gross-Up, Executive shall be deemed to pay federal, state and local income taxes at the highest marginal rate of taxation in effect in the calendar year in which the reimbursement is made. Amounts due under this subsection shall be paid as soon as administratively practicable, but in no event later than ninety (90) days after the date of the sale of Executive's principal residence.

Notwithstanding the foregoing, in the event the Executive is reimbursed, entitled to reimbursement, or is paid any amounts by an entity or entities other than NBTB or NBT Bank of any affiliate or successor thereof (the "Third Party"), for any amounts for which Executive has received, or is entitled to receive, reimbursement under (A) or (B) above with respect to the sale of his principal residence or any Gross-Up under (C) above, the Executive agrees:

- (1) with regard to amounts already paid by NBTB or NBT Bank or any affiliate or successor thereof (hereinafter referred to collectively as the "Company"), the Executive shall notify the Company of all amounts received or due from the Third Party, and shall reimburse the Company in an amount equal to the amount so received or due from the Third Party up to the amount the Company paid to the Executive under (A), (B), and (C) above; and
- (2) with regard to amounts due but not yet paid by the Company to the Executive, the Executive shall notify the Company of any amounts received or due from the Third Party, and the Executive agrees that the Company shall reduce the amount due under (A), (B), and (C) above by the amount the Executive has been paid or is entitled to be paid by the Third Party up to the amount due the Executive from the Company.

(d) Any provision of this section 2 to the contrary notwithstanding, in the event that the employment of Executive with NBTB is terminated in any situation described in section 3 of the change-in-control letter agreement dated July 23, 2001 between NBTB and Executive (the "Change-in-Control Agreement") so as to entitle Executive to a severance payment and other benefits described in section 3 of the Change-in-Control Agreement, then Executive shall be entitled to receive the following, and no more, under this section 2:

- (i) any salary payable pursuant to section 3(a)(i) hereof which shall have accrued as of the Termination Date;
 - (ii) such rights as Executive shall have accrued as of the Termination Date under the terms of any plans or arrangements in which he participates pursuant to section 3(b) hereof, any right to reimbursement for expenses accrued as of the Termination Date payable pursuant to section 3(g) hereof, and the right to receive the cash equivalent of paid annual leave and sick leave accrued as of the Termination Date pursuant to section 3(d) hereof;
 - (iii) the severance payment and other benefits provided in the Change-in-Control Agreement; and
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(iv) if, within eighteen (18) months following the Termination Date, Executive should sell his principal residence in the Norwich RMA and relocate to a place outside of the Norwich RMA, (A) reimbursement for any shortfall between the net proceeds on the sale of his principal residence and the purchase price plus improvements, including direct, necessary and reasonable transaction costs incurred in connection with such purchase, as determined by the chief financial officer of NBTB, for such residence, and including direct, necessary and reasonable expenses, as determined by the chief financial officer of NBTB, incurred to prepare the residence for sale, (B) reimbursement for direct, necessary and reasonable expenses, as determined by the chief financial officer of NBTB, incurred in connection with the sale of such residence not already included as part of the reimbursement under (A) above, and (C) the Gross-Up, the intent being that the net amount retained by the Executive, after deduction of such federal, state and local income taxes resulting from the reimbursement under (A) and (B) shall be equal to the amount of the reimbursement under (A) and (B) before payment of such taxes; for purposes of determining the amount of the Gross-Up, Executive shall be deemed to pay federal, state and local income taxes at the highest marginal rate of taxation in effect in the calendar year in which the reimbursement is made. Amounts due under this subsection shall be paid as soon as administratively practicable, but in no event later than ninety (90) days after the date of the sale of Executive's principal residence.

Notwithstanding the foregoing, in the event the Executive is reimbursed, entitled to reimbursement, or is paid any amounts by a Third Party, for any amounts for which Executive has received, or is entitled to receive, reimbursement under (A) or (B) above with respect to the sale of his principal residence or any Gross-Up under (C) above, the Executive agrees:

- (1) with regard to amounts already paid by the Company, the Executive shall notify the Company of all amounts received or due from the Third Party, and shall reimburse the Company in an amount equal to the amount so received or due from the Third Party up to the amount the Company paid to the Executive under (A), (B), and (C) above; and
- (2) with regard to amounts due but not yet paid by the Company to the Executive, the Executive shall notify the Company of any amounts received or due from the Third Party, and the Executive agrees that the Company shall reduce the amount due under (A), (B), and (C) above by the amount the Executive has been paid or is entitled to be paid by the Third Party up to the amount due the Executive from the Company.

3. Compensation. For the services to be performed by Executive for NBTB and its affiliates under this Agreement, Executive shall be compensated in the following manner:

(a) Salary. During the Term of Employment:

(i) NBTB shall pay Executive a salary, which, on an annual basis, shall be \$350,000. Salary commencing on January 1, 2006 will be negotiated between Executive and the chairman of the board of NBTB based on recommendations from the NBTB Compensation and Benefits Committee and in line with comparable compensation for positions in companies of similar size and structure, but in no case less than \$350,000. Salary shall be payable in accordance with the normal payroll practices of NBTB with respect to executive personnel as presently in effect or as they may be modified by NBTB from time to time.

(ii) Executive shall be eligible to be considered for performance bonuses commensurate with the Executive's title and salary grade, in accordance with the compensation policies of NBTB with respect to executive personnel as presently in effect or as they may be modified by NBTB from time to time.

(b) Employee Benefit Plans or Arrangements. During the Term of Employment, Executive shall be entitled to participate in all employee benefit plans of NBTB, as presently in effect or as they may be modified by NBTB from time to time, under such terms as may be applicable to officers of Executive's rank employed by NBTB or its affiliates, including, without limitation, plans providing retirement benefits, stock options, medical insurance, life insurance, disability insurance, and accidental death or dismemberment insurance, provided that there be no duplication of such benefits as are provided under any other provision of this Agreement.

(c) Stock Options and NBT Performance Share Plan. Each January or February annually during the Term of Employment, NBTB will cause Executive to be granted a non-statutory ("non-qualified") stock option (each an "Option") to purchase the number of shares of the common stock of NBTB, \$0.01 par value (the "NBTB Common Stock"), pursuant to the NBT Bancorp Inc. 1993 Stock Option Plan, as amended, or any appropriate successor plan (the "Stock Option Plan"), computed using a formula approved by NBTB that is commensurate with the Executive's title and salary grade. The option exercise price per share of the shares subject to each Option shall be such Fair Market Value, and the terms, conditions of exercise, and vesting schedule of such Option shall be as set forth in section 8 of the Stock Option Plan. In addition, Executive shall be entitled to participate in any NBTB Performance Share Plan (the "Performance Share Plan") as applicable to officers of Executive's rank.

(d) Vacation and Sick Leave. During the Term of Employment, Executive shall be entitled to paid annual vacation periods and sick leave in accordance with the policies of NBTB as in effect as of the Commencement Date or as may be modified by NBTB from time to time as may be applicable to officers of Executive's rank employed by NBTB or its affiliates, but in no event less than four weeks of paid vacation per year.

(e) Automobile. During the Term of Employment, Executive shall be entitled to the use of an automobile owned by NBTB or an affiliate of NBTB, the make and model of which automobile shall be appropriate to an officer of Executive's rank, and which shall be replaced with a new automobile every two years (or earlier if accumulated mileage exceeds 50,000 miles). Executive shall be responsible for all expenses of ownership and use of any such automobile, subject to reimbursement of expenses for business use in accordance with section 3(h).

(f) Country Club Dues. During the Term of Employment, Executive shall be reimbursed for dues and assessments incurred in relation to Executive's membership at a country club mutually agreed upon by NBTB and the Executive.

(g) Withholding. All compensation to be paid to Executive hereunder shall be subject to required withholding and other taxes.

(h) Expenses. During the Term of Employment, Executive shall be reimbursed for reasonable travel and other expenses incurred or paid by Executive in connection with the performance of his services under this Agreement, upon presentation of expense statements or vouchers or such other supporting information as may from time to time be requested, in accordance with such policies of NBTB as are in effect as of the Commencement Date and as may be modified by NBTB from time to time, under such terms as may be applicable to officers of Executive's rank employed by NBTB or its affiliates.

4. Confidential Business Information; Non-Competition.

(a) Executive acknowledges that certain business methods, creative techniques, and technical data of NBTB and its affiliates and the like are deemed by NBTB to be and are in fact confidential business information of NBTB or its affiliates or are entrusted to third parties. Such confidential information includes but is not limited to procedures, methods, sales relationships developed while in the service of NBTB or its affiliates, knowledge of customers and their requirements, marketing plans, marketing information, studies, forecasts, and surveys, competitive analyses, mailing and marketing lists, new business proposals, lists of vendors, consultants, and other persons who render service or provide material to NBTB or NBT Bank or their affiliates, and compositions, ideas, plans, and methods belonging to or related to the affairs of NBTB or NBT Bank or their affiliates. In this regard, NBTB asserts proprietary rights in all of its business information and that of its affiliates except for such information as is clearly in the public domain. Notwithstanding the foregoing, information that would be generally known or available to persons skilled in Executive's fields shall be considered to be "clearly in the public domain" for the purposes of the preceding sentence. Executive agrees that he will not disclose or divulge to any third party, except as may be required by his duties hereunder, by law, regulation, or order of a court or government authority, or as directed by NBTB, nor shall he use to the detriment of NBTB or its affiliates or use in any business or on behalf of any business competitive with or substantially similar to any business of NBTB or NBT Bank or their affiliates, any confidential business information obtained during the course of his employment by NBTB. The foregoing shall not be construed as restricting Executive from disclosing such information to the employees of NBTB or NBT Bank or their affiliates. On or before the Termination Date, Executive shall promptly deliver to NBTB any and all tangible, confidential information in his position.

(b) Executive hereby agrees that from the Commencement Date until the first anniversary of the Termination Date, Executive will not (i) interfere with the relationship of NBTB or NBT Bank or its affiliates with any of their employees, suppliers, agents, or representatives (including, without limitation, causing or helping another business to hire any employee of NBTB or NBT Bank or its affiliates), or (ii) directly or indirectly divert or attempt to divert from NBTB or NBT Bank or its affiliates any business in which any of them has been actively engaged during the Term of Employment, nor interfere with the relationship of NBTB or NBT Bank or its affiliates with any of their customers or prospective customers. This paragraph 4(b) shall not, in and of itself, prohibit Executive from engaging in the banking, trust, or financial services business in any capacity, including that of an owner or employee.

(c) Executive acknowledges and agrees that irreparable injury will result to NBTB in the event of a breach of any of the provisions of this section 4 (the "Designated Provisions") and that NBTB will have no adequate remedy at law with respect thereto. Accordingly, in the event of a material breach of any Designated Provision, and in addition to any other legal or equitable remedy NBTB may have, NBTB shall be entitled to the entry of a preliminary and permanent injunction (including, without limitation, specific performance) by a court of competent jurisdiction in Chenango County, New York, or elsewhere, to restrain the violation or breach thereof by Executive, and Executive submits to the jurisdiction of such court in any such action.

(d) It is the desire and intent of the parties that the provisions of this section 4 shall be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular provision of this section 4 shall be adjudicated to be invalid or unenforceable, such provision shall be deemed amended to delete therefrom the portion thus adjudicated to be invalid or unenforceable, such deletion to apply only with respect to the operation of such provision in the particular jurisdiction in which such adjudication is made. In addition, should any court determine that the provisions of this section 4 shall be unenforceable with respect to scope, duration, or geographic area, such court shall be empowered to substitute, to the extent enforceable, provisions similar hereto or other provisions so as to provide to NBTB, to the fullest extent permitted by applicable law, the benefits intended by this section 4.

5. Life Insurance. In light of the unusual abilities and experience of Executive, NBTB (or its affiliates) in its discretion may apply for and procure as owner and for its own benefit insurance on the life of Executive, in such amount and in such form as NBTB may choose. NBTB shall make all payments for such insurance and shall receive all benefits from it. Executive shall have no interest whatsoever in any such policy or policies but, at the request of NBTB, shall submit to medical examinations and supply such information and execute such documents as may reasonably be required by the insurance company or companies to which NBTB has applied for insurance.

6. Representations and Warranties.

(a) Executive represents and warrants to NBTB that his execution, delivery, and performance of this Agreement will not result in or constitute a breach of or conflict with any term, covenant, condition, or provision of any commitment, contract, or other agreement or instrument, including, without limitation, any other employment agreement, to which Executive is or has been a party.

(b) Executive shall indemnify, defend, and hold harmless NBTB for, from, and against any and all losses, claims, suits, damages, expenses, or liabilities, including court costs and counsel fees, which NBTB has incurred or to which NBTB may become subject, insofar as such losses, claims, suits, damages, expenses, liabilities, costs, or fees arise out of or are based upon any failure of any representation or warranty of Executive in section 6(a) hereof to be true and correct when made.

7. Notices. All notices, consents, waivers, or other communications which are required or permitted hereunder shall be in writing and deemed to have been duly given if delivered personally or by messenger, transmitted by telex or telegram, by express courier, or sent by registered or certified mail, return receipt requested, postage prepaid. All communications shall be addressed to the appropriate address of each party as follows:

If to NBTB:

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

Attention: Mr. Daryl R. Forsythe, Chairman

With a required copy to:

NBT Bancorp Inc. Corporate Counsel

If to Executive:

Mr. Martin A. Dietrich
122 Serenity Drive
Norwich, New York 13815

All such notices shall be deemed to have been given on the date delivered, transmitted, or mailed in the manner provided above.

8. Assignment. Neither party may assign this Agreement or any rights or obligations hereunder without the consent of the other party.

9. Governing Law. This Agreement shall be governed by, construed, and enforced in accordance with the laws of the State of New York, without giving effect to the principles of conflict of law thereof. The parties hereby designate Chenango County, New York to be the proper jurisdiction and venue for any suit or action arising out of this Agreement. Each of the parties consents to personal jurisdiction in such venue for such a proceeding and agrees that it may be served with process in any action with respect to this Agreement or the transactions contemplated thereby by certified or registered mail, return receipt requested, or to its registered agent for service of process in the State of New York. Each of the parties irrevocably and unconditionally waives and agrees, to the fullest extent permitted by law, not to plead any objection that it may now or hereafter have to the laying of venue or the convenience of the forum of any action or claim with respect to this Agreement or the transactions contemplated thereby brought in the courts aforesaid.

10. Entire Agreement. This Agreement constitutes the entire understanding among NBTB and Executive relating to the subject matter hereof. Any previous agreements or understandings between the parties hereto or between Executive and NBT Bank or any of its affiliates regarding the subject matter hereof, including without limitation the terms and conditions of employment, compensation, benefits, retirement, competition following employment, and the like, are merged into and superseded by this Agreement. Neither this Agreement nor any provisions hereof can be modified, changed, discharged, or terminated except by an instrument in writing signed by the party against whom any waiver, change, discharge, or termination is sought.

11. Illegality; Severability.

(a) Anything in this Agreement to the contrary notwithstanding, this Agreement is not intended and shall not be construed to require any payment to Executive which would violate any federal or state statute or regulation, including without limitation the "golden parachute payment regulations" of the Federal Deposit Insurance Corporation codified to Part 359 of title 12, Code of Federal Regulations.

(b) If any provision or provisions of this Agreement shall be held to be invalid, illegal, or unenforceable for any reason whatsoever:

(i) the validity, legality, and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal, or unenforceable) shall not in any way be affected or impaired thereby; and

(ii) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provisions held to be invalid, illegal, or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal, or unenforceable.

12. Arbitration. Subject to the right of each party to seek specific performance (which right shall not be subject to arbitration), if a dispute arises out of or related to this Agreement, or the breach thereof, such dispute shall be referred to arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA"). A dispute subject to the provisions of this section will exist if either party notifies the other party in writing that a dispute subject to arbitration exists and states, with reasonable specificity, the issue subject to arbitration (the "Arbitration Notice"). The parties agree that, after the issuance of the Arbitration Notice, the parties will try in good faith to resolve the dispute by mediation in accordance with the Commercial Rules of Arbitration of AAA between the date of the issuance of the Arbitration Notice and the date the dispute is set for arbitration. If the dispute is not settled by the date set for arbitration, then any controversy or claim arising out of this Agreement or the breach hereof shall be resolved by binding arbitration and judgment upon any award rendered by arbitrator(s) may be entered in a court having jurisdiction. Any person serving as a mediator or arbitrator must have at least ten years' experience in resolving commercial disputes through arbitration. In the event any claim or dispute involves an amount in excess of \$100,000, either party may request that the matter be heard by a panel of three arbitrators; otherwise all matters subject to arbitration shall be heard and resolved by a single arbitrator. The arbitrator shall have the same power to compel the attendance of witnesses and to order the production of documents or other materials and to enforce discovery as could be exercised by a United States District Court judge sitting in the Northern District of New York. In the event of any arbitration, each party shall have a reasonable right to conduct discovery to the same extent permitted by the Federal Rules of Civil Procedure, provided that such discovery shall be concluded within ninety days after the date the matter is set for arbitration. In the event of any arbitration, the arbitrator or arbitrators shall have the power to award reasonable attorney's fees to the prevailing party. Any provision in this Agreement to the contrary notwithstanding, this section shall be governed by the Federal Arbitration Act and the parties have entered into this Agreement pursuant to such Act.

13. Costs of Litigation. In the event litigation is commenced to enforce any of the provisions hereof, or to obtain declaratory relief in connection with any of the provisions hereof, the prevailing party shall be entitled to recover reasonable attorney's fees. In the event this Agreement is asserted in any litigation as a defense to any liability, claim, demand, action, cause of action, or right asserted in such litigation, the party prevailing on the issue of that defense shall be entitled to recovery of reasonable attorney's fees.

14. Affiliation. A company will be deemed to be "affiliated" with NBTB or NBT Bank according to the definition of "Affiliate" set forth in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended.

15. Headings. The section and subsection headings herein have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof.

IN WITNESS WHEREOF, the parties hereto executed or caused this Agreement to be executed as of the day and year first above written.

NBT BANCORP INC.

By: /S/ Daryl R. Forsythe

Daryl R. Forsythe

Chairman and Chief Executive Officer

MARTIN A. DIETRICH

/S/ Martin A. Dietrich

Exhibit 10.18

Form of Employment Agreement between NBT Bancorp Inc. and Michael J. Chewens made as of January 1, 2005.

EMPLOYMENT AGREEMENT

This **EMPLOYMENT AGREEMENT** (the "Agreement") made and entered into as of the first day of January 2005, by and between MICHAEL J. CHEWENS ("Executive") and NBT BANCORP INC., a Delaware corporation having its principal office in Norwich, New York ("NBTB")

WITNESSETH THAT:

WHEREAS, Executive is an senior executive vice president and the chief financial officer of NBTB and NBT Bank, National Association, a national banking association which is a wholly-owned subsidiary of NBTB ("NBT Bank");

WHEREAS, NBTB desires to secure the continued employment of Executive, subject to the provisions of this Agreement; and

WHEREAS, Executive is desirous of entering into the Agreement for such periods and upon the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements hereinafter set forth, intending to be legally bound, the parties agree as follows:

1. Employment; Responsibilities and Duties.

(a) NBTB hereby agrees to employ Executive and to cause NBT Bank and any successor organization to NBT Bank to employ Executive, and Executive hereby agrees to serve as a senior executive vice president and the chief financial officer of NBTB and NBT Bank, and of any successor organization to NBTB or NBT Bank, as applicable, during the Term of Employment. Executive shall have such executive duties, responsibilities, and authority as shall be set forth in the bylaws of NBTB and NBT Bank or as may otherwise be determined by NBTB. During the Term of Employment, Executive shall report directly to the chief executive officer of NBTB.

(b) Executive shall devote his full working time and best efforts to the performance of his responsibilities and duties hereunder. During the Term of Employment, Executive shall not, without the prior written consent of the chief executive officer of NBTB, render services as an employee, independent contractor, or otherwise, whether or not compensated, to any person or entity other than NBTB or its affiliates; provided that Executive may, where involvement in such activities does not individually or in the aggregate significantly interfere with the performance by Executive of his duties or violate the provisions of section 4 hereof, (i) render services to charitable organizations, (ii) manage his personal investments, and (iii) with the prior permission of the chief executive officer of NBTB, hold such other directorships or part-time academic appointments or have such other business affiliations as would otherwise be prohibited under this section 1.

2. Term of Employment.

(a) The term of this Agreement ("Term of Employment") shall be the period commencing on the date of this Agreement (the "Commencement Date") and continuing until the Termination Date, which shall mean the earliest to occur of:

(i) January 1, 2008, provided, however, that on January 1, 2006 and on each January 1 thereafter, the Term of Employment shall be extended by one additional year;

(ii) the death of Executive;

(iii) Executive's inability to perform his duties hereunder, as a result of physical or mental disability as reasonably determined by the personal physician of Executive, for a period of at least 180 consecutive days or for at least 180 days during any period of twelve consecutive months during the Term of Employment; or

(iv) the discharge of Executive by NBTB "for cause," which shall mean one or more of the following:

(A) any willful or gross misconduct by Executive with respect to the business and affairs of NBTB or NBT Bank, or with respect to any of its affiliates for which Executive is assigned material responsibilities or duties;

(B) the conviction of Executive of a felony (after the earlier of the expiration of any applicable appeal period without perfection of an appeal by Executive or the denial of any appeal as to which no further appeal or review is available to Executive) whether or not committed in the course of his employment by NBTB;

(C) Executive's willful neglect, failure, or refusal to carry out his duties hereunder in a reasonable manner (other than any such failure resulting from disability or death or from termination by Executive for Good Reason, as hereinafter defined) after a written demand for substantial performance is delivered to Executive that specifically identifies the manner in which NBTB believes that Executive has not substantially performed his duties and Executive has not resumed substantial performance of his duties on a continuous basis within thirty days of receiving such demand; or

(D) the breach by Executive of any representation or warranty in section 6(a) hereof or of any agreement contained in section 1, 4, 5, or 6(b) hereof, which breach is material and adverse to NBTB or any of its affiliates for which Executive is assigned material responsibilities or duties; or

(v) Executive's resignation from his position as senior executive vice president and chief financial officer of NBTB or NBT Bank other than for "Good Reason," as hereinafter defined; or

(vi) the termination of Executive's employment by NBTB "without cause," which shall be for any reason other than those set forth in subsections (i), (ii), (iii), (iv), or (v) of this section 2(a), at any time, upon the thirtieth day following notice to Executive; or

(vii) Executive's resignation for "Good Reason."

"Good Reason" shall mean, without Executive's express written consent, reassignment of Executive to a position other than senior executive vice president and chief financial officer of NBTB or NBT Bank other than for "Cause," or a decrease in the amount or level of Executive's salary or benefits from the amount or level established in section 3 hereof.

(b) In the event that the Term of Employment shall be terminated for any reason other than that set forth in section 2(a)(vi) or 2(a)(vii) hereof, Executive shall be entitled to receive, upon the occurrence of any such event:

(i) any salary (as hereinafter defined) payable pursuant to section 3(a)(i) hereof which shall have accrued as of the Termination Date; and

(ii) such rights as Executive shall have accrued as of the Termination Date under the terms of any plans or arrangements in which he participates pursuant to section 3(b) hereof, any right to reimbursement for expenses accrued as of the Termination Date payable pursuant to section 3(g) hereof, and the right to receive the cash equivalent of paid annual leave and sick leave accrued as of the Termination Date pursuant to section 3(d) hereof, and

(c) In the event that the Term of Employment shall be terminated for the reason set forth in section 2(a)(vi) or 2(a)(vii) hereof, Executive shall be entitled to receive:

(i) any salary payable pursuant to section 3(a)(i) hereof which shall have accrued as of the Termination Date, and, for the period commencing on the date immediately following the Termination Date and ending upon and including the latest of the third anniversary of the Commencement Date or the date to which the Term of Employment shall (as of the Termination Date) have automatically extended itself under section 2(a)(i) hereof, salary payable at the rate established pursuant to section 3(a)(i) hereof, in a manner consistent with the normal payroll practices of NBTB with respect to executive personnel as presently in effect or as they may be modified by NBTB from time to time;

(ii) such rights as Executive may have accrued as of the Termination Date under the terms of any plans or arrangements in which he participates pursuant to section 3(b) hereof, any right to reimbursement for expenses accrued as of the Termination Date payable pursuant to section 3(g) hereof, and the right to receive the cash equivalent of paid annual leave and sick leave accrued as of the Termination Date pursuant to section 3(d) hereof; and

(iii) if, within eighteen (18) months following the Termination Date, Executive should sell his principal residence in the Binghamton Rand McNally Metropolitan Area as determined by Rand McNally & Company (the "Binghamton RMA") and relocate to a place outside of the Binghamton RMA, (A) reimbursement for any shortfall between the net proceeds on the sale of his principal residence and the purchase price plus improvements, including direct, necessary and reasonable transaction costs incurred in connection with such purchase, as determined by the controller's division of NBT Bank, for such residence, and including direct, necessary and reasonable expenses, as determined by the finance division of NBT Bank, incurred to prepare the residence for sale, (B) reimbursement for direct, necessary and reasonable expenses, as determined by the finance division of NBT Bank, incurred in connection with the sale of such residence not already included as part of the reimbursement under (A) above, and (C) an amount necessary to pay all federal, state and local income taxes resulting from any reimbursement made pursuant to (A) and (B) (including any additional federal, state and local income taxes resulting from the payment hereunder of such taxes), the intent being that Executive shall be paid an additional amount (the "Gross-Up") such that the net amount retained by the Executive, after deduction of such federal, state and local income taxes resulting from the reimbursement under (A) and (B) shall be equal to the amount of the reimbursement under (A) and (B) before payment of such taxes; for purposes of determining the amount of the Gross-Up, Executive shall be deemed to pay federal, state and local income taxes at the highest marginal rate of taxation in effect in the calendar year in which the reimbursement is made. Amounts due under this subsection shall be paid as soon as administratively practicable, but in no event later than ninety (90) days after the date of the sale of Executive's principal residence.

Notwithstanding the foregoing, in the event the Executive is reimbursed, entitled to reimbursement, or is paid any amounts by an entity or entities other than NBTB or NBT Bank of any affiliate or successor thereof (the "Third Party"), for any amounts for which Executive has received, or is entitled to receive, reimbursement under (A) or (B) above with respect to the sale of his principal residence or any Gross-Up under (C) above, the Executive agrees:

- (3) with regard to amounts already paid by NBTB or NBT Bank or any affiliate or successor thereof (hereinafter referred to collectively as the "Company"), the Executive shall notify the Company of all amounts received or due from the Third Party, and shall reimburse the Company in an amount equal to the amount so received or due from the Third Party up to the amount the Company paid to the Executive under (A), (B), and (C) above; and
- (4) with regard to amounts due but not yet paid by the Company to the Executive, the Executive shall notify the Company of any amounts received or due from the Third Party, and the Executive agrees that the Company shall reduce the amount due under (A), (B), and (C) above by the amount the Executive has been paid or is entitled to be paid by the Third Party up to the amount due the Executive from the Company.

(d) Any provision of this section 2 to the contrary notwithstanding, in the event that the employment of Executive with NBTB is terminated in any situation described in section 3 of the change-in-control letter agreement dated July 23, 2001 between NBTB and Executive (the "Change-in-Control Agreement") so as to entitle Executive to a severance payment and other benefits described in section 3 of the Change-in-Control Agreement, then Executive shall be entitled to receive the following, and no more, under this section 2:

- (i) any salary payable pursuant to section 3(a)(i) hereof which shall have accrued as of the Termination Date;
 - (ii) such rights as Executive shall have accrued as of the Termination Date under the terms of any plans or arrangements in which he participates pursuant to section 3(b) hereof, any right to reimbursement for expenses accrued as of the Termination Date payable pursuant to section 3(g) hereof, and the right to receive the cash equivalent of paid annual leave and sick leave accrued as of the Termination Date pursuant to section 3(d) hereof;
 - (iii) the severance payment and other benefits provided in the Change-in-Control Agreement; and
 - (iv) if, within eighteen (18) months following the Termination Date, Executive should sell his principal residence in the Binghamton RMA and relocate to a place outside of the Binghamton RMA, (A) reimbursement for any shortfall between the net proceeds on the sale of his principal residence and the purchase price plus improvements, including direct, necessary and reasonable transaction costs incurred in connection with such purchase, as determined by the finance division of NBT Bank, for such residence, and including direct, necessary and reasonable expenses, as determined by the controller's division of NBT Bank, incurred to prepare the residence for sale, (B) reimbursement for direct, necessary and reasonable expenses, as determined by the finance division of NBT Bank, incurred in connection with the sale of such residence not already included as part of the reimbursement under (A) above, and (C) the Gross-Up, the intent being that the net amount retained by the Executive, after deduction of such federal, state and local income taxes resulting from the reimbursement under (A) and (B) shall be equal to the amount of the reimbursement under (A) and (B) before payment of such taxes; for purposes of determining the amount of the Gross-Up, Executive shall be deemed to pay federal, state and local income taxes at the highest marginal rate of taxation in effect in the calendar year in which the reimbursement is made. Amounts due under this subsection shall be paid as soon as administratively practicable, but in no event later than ninety (90) days after the date of the sale of Executive's principal residence.
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Notwithstanding the foregoing, in the event the Executive is reimbursed, entitled to reimbursement, or is paid any amounts by a Third Party, for any amounts for which Executive has received, or is entitled to receive, reimbursement under (A) or (B) above with respect to the sale of his principal residence or any Gross-Up under (C) above, the Executive agrees:

- (3) with regard to amounts already paid by the Company, the Executive shall notify the Company of all amounts received or due from the Third Party, and shall reimburse the Company in an amount equal to the amount so received or due from the Third Party up to the amount the Company paid to the Executive under (A), (B), and (C) above; and
- (4) with regard to amounts due but not yet paid by the Company to the Executive, the Executive shall notify the Company of any amounts received or due from the Third Party, and the Executive agrees that the Company shall reduce the amount due under (A), (B), and (C) above by the amount the Executive has been paid or is entitled to be paid by the Third Party up to the amount due the Executive from the Company.

3. Compensation. For the services to be performed by Executive for NBTB and its affiliates under this Agreement, Executive shall be compensated in the following manner:

(a) Salary. During the Term of Employment:

(i) NBTB shall pay Executive a salary, which, on an annual basis, shall be \$271,600.00 commencing on January 1, 2005. Salary commencing on January 1, 2006 will be negotiated between Executive and the CEO of NBTB based on recommendations from the Compensation and Benefits Committee and in line with compensation for comparable positions in companies of similar size and structure, but in no case less than \$271,600.00. Salary shall be payable in accordance with the normal payroll practices of NBTB with respect to executive personnel as presently in effect or as they may be modified by NBTB from time to time.

(ii) Executive shall be eligible to be considered for performance bonuses commensurate with the Executive's title and salary grade in accordance with the compensation policies of NBTB with respect to executive personnel as presently in effect or as they may be modified by NBTB from time to time.

(b) Employee Benefit Plans or Arrangements. During the Term of Employment, Executive shall be entitled to participate in all employee benefit plans of NBTB, as presently in effect or as they may be modified by NBTB from time to time, under such terms as may be applicable to officers of Executive's rank employed by NBTB or its affiliates, including, without limitation, plans providing retirement benefits, stock options, medical insurance, life insurance, disability insurance, and accidental death or dismemberment insurance, provided that there be no duplication of such benefits as are provided under any other provision of this Agreement.

(c) Stock Options and NBTB Performance Share Plan. Each January or February annually during the Term of Employment, NBTB will cause Executive to be granted a non-statutory ("non-qualified") stock option (each an "Option") to purchase the number of shares of the common stock of NBTB, \$0.01 par value (the "NBTB Common Stock"), pursuant to the NBT Bancorp Inc. 1993 Stock Option Plan, as amended, or any appropriate successor plan (the "Stock Option Plan"), computed by using a formula approved by NBTB that is commensurate with the Executive's title and salary grade. The option exercise price per share of the shares subject to each Option shall be such Fair Market Value, and the terms, conditions of exercise, and vesting schedule of such Option shall be as set forth in section 8 of the Stock Option Plan. In addition, Executive shall be entitled to participate in any NBTB Performance Share Plan (the "Performance Share Plan") as applicable to officers of Executive's rank.

(d) Vacation and Sick Leave. During the Term of Employment, Executive shall be entitled to paid annual vacation periods and sick leave in accordance with the policies of NBTB as in effect as of the Commencement Date or as may be modified by NBTB from time to time as may be applicable to officers of Executive's rank employed by NBTB or its affiliates, but in no event less than four weeks of paid vacation per year.

(e) Automobile. During the Term of Employment, Executive shall be entitled to the use of an automobile owned by NBTB or an affiliate of NBTB, the make, model, and year of which automobile shall be appropriate to an officer of Executive's rank and which will be replaced every two years (or earlier if the accumulated mileage exceeds 50,000 miles). Executive shall be responsible for all expenses of ownership and use of any such automobile, subject to reimbursement of expenses for business use in accordance with section 3(h).

(f) Country Club Dues. During the Term of Employment, Executive shall be reimbursed for dues and assessments incurred in relation to Executive's membership at a country club mutually agreed upon by the chief executive officer of NBTB and the Executive.

(g) Withholding. All compensation to be paid to Executive hereunder shall be subject to required withholding and other taxes.

(h) Expenses. During the Term of Employment, Executive shall be reimbursed for reasonable travel and other expenses incurred or paid by Executive in connection with the performance of his services under this Agreement, upon presentation of expense statements or vouchers or such other supporting information as may from time to time be requested, in accordance with such policies of NBTB as are in effect as of the Commencement Date and as may be modified by NBTB from time to time, under such terms as may be applicable to officers of Executive's rank employed by NBTB or its affiliates.

4. Confidential Business Information; Non-Competition.

(a) Executive acknowledges that certain business methods, creative techniques, and technical data of NBTB and its affiliates and the like are deemed by NBTB to be and are in fact confidential business information of NBTB or its affiliates or are entrusted to third parties. Such confidential information includes but is not limited to procedures, methods, sales relationships developed while in the service of NBTB or its affiliates, knowledge of customers and their requirements, marketing plans, marketing information, studies, forecasts, and surveys, competitive analyses, mailing and marketing lists, new business proposals, lists of vendors, consultants, and other persons who render service or provide material to NBTB or NBT Bank or their affiliates, and compositions, ideas, plans, and methods belonging to or related to the affairs of NBTB or NBT Bank or their affiliates. In this regard, NBTB asserts proprietary rights in all of its business information and that of its affiliates except for such information as is clearly in the public domain. Notwithstanding the foregoing, information that would be generally known or available to persons skilled in Executive's fields shall be considered to be "clearly in the public domain" for the purposes of the preceding sentence. Executive agrees that he will not disclose or divulge to any third party, except as may be required by his duties hereunder, by law, regulation, or order of a court or government authority, or as directed by NBTB, nor shall he use to the detriment of NBTB or its affiliates or use in any business or on behalf of any business competitive with or substantially similar to any business of NBTB or NBT Bank or their affiliates, any confidential business information obtained during the course of his employment by NBTB. The foregoing shall not be construed as restricting Executive from disclosing such information to the employees of NBTB or NBT Bank or their affiliates. On or before the Termination Date, Executive shall promptly deliver to NBTB any and all tangible, confidential information in his possession.

(b) Executive hereby agrees that from the Commencement Date until the first anniversary of the Termination Date, Executive will not (i) interfere with the relationship of NBTB or NBT Bank or their affiliates with any of their employees, suppliers, agents, or representatives (including, without limitation, causing or helping another business to hire any employee of NBTB or NBT Bank or their affiliates), or (ii) directly or indirectly divert or attempt to divert from NBTB, NBT Bank or their affiliates any business in which any of them has been actively engaged during the Term of Employment, nor interfere with the relationship of NBTB, NBT Bank or their affiliates with any of their customers or prospective customers. This paragraph 4(b) shall not, in and of itself, prohibit Executive from engaging in the banking, trust, or financial services business in any capacity, including that of an owner or employee.

(c) Executive acknowledges and agrees that irreparable injury will result to NBTB in the event of a breach of any of the provisions of this section 4 (the "Designated Provisions") and that NBTB will have no adequate remedy at law with respect thereto. Accordingly, in the event of a material breach of any Designated Provision, and in addition to any other legal or equitable remedy NBTB may have, NBTB shall be entitled to the entry of a preliminary and permanent injunction (including, without limitation, specific performance) by a court of competent jurisdiction in Chenango County, New York, or elsewhere, to restrain the violation or breach thereof by Executive, and Executive submits to the jurisdiction of such court in any such action.

(d) It is the desire and intent of the parties that the provisions of this section 4 shall be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular provision of this section 4 shall be adjudicated to be invalid or unenforceable, such provision shall be deemed amended to delete therefrom the portion thus adjudicated to be invalid or unenforceable, such deletion to apply only with respect to the operation of such provision in the particular jurisdiction in which such adjudication is made. In addition, should any court determine that the provisions of this section 4 shall be unenforceable with respect to scope, duration, or geographic area, such court shall be empowered to substitute, to the extent enforceable, provisions similar hereto or other provisions so as to provide to NBTB, to the fullest extent permitted by applicable law, the benefits intended by this section 4.

5. Life Insurance. In light of the unusual abilities and experience of Executive, NBTB (or its affiliates) in its discretion may apply for and procure as owner and for its own benefit insurance on the life of Executive, in such amount and in such form as NBTB may choose. NBTB shall make all payments for such insurance and shall receive all benefits from it. Executive shall have no interest whatsoever in any such policy or policies but, at the request of NBTB, shall submit to medical examinations and supply such information and execute such documents as may reasonably be required by the insurance company or companies to which NBTB has applied for insurance.

6. Representations and Warranties.

(a) Executive represents and warrants to NBTB that his execution, delivery, and performance of this Agreement will not result in or constitute a breach of or conflict with any term, covenant, condition, or provision of any commitment, contract, or other agreement or instrument, including, without limitation, any other employment agreement, to which Executive is or has been a party.

(b) Executive shall indemnify, defend, and hold harmless NBTB for, from, and against any and all losses, claims, suits, damages, expenses, or liabilities, including court costs and counsel fees, which NBTB has incurred or to which NBTB may become subject, insofar as such losses, claims, suits, damages, expenses, liabilities, costs, or fees arise out of or are based upon any failure of any representation or warranty of Executive in section 6(a) hereof to be true and correct when made.

7. Notices. All notices, consents, waivers, or other communications which are required or permitted hereunder shall be in writing and deemed to have been duly given if delivered personally or by messenger, transmitted by telex or telegram, by express courier, or sent by registered or certified mail, return receipt requested, postage prepaid. All communications shall be addressed to the appropriate address of each party as follows:

If to NBTB:

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

Attention: Chief Executive Officer

With a required copy to:

NBT Bancorp Inc. Corporate Counsel

If to Executive:

Mr. Michael J. Chewens
2613 Pine Bluff Drive
Vestal, New York 13850-2909

All such notices shall be deemed to have been given on the date delivered, transmitted, or mailed in the manner provided above.

8. Assignment. Neither party may assign this Agreement or any rights or obligations hereunder without the consent of the other party.

9. Governing Law. This Agreement shall be governed by, construed, and enforced in accordance with the laws of the State of New York, without giving effect to the principles of conflict of law thereof. The parties hereby designate Chenango County, New York to be the proper jurisdiction and venue for any suit or action arising out of this Agreement. Each of the parties consents to personal jurisdiction in such venue for such a proceeding and agrees that it may be served with process in any action with respect to this Agreement or the transactions contemplated thereby by certified or registered mail, return receipt requested, or to its registered agent for service of process in the State of New York. Each of the parties irrevocably and unconditionally waives and agrees, to the fullest extent permitted by law, not to plead any objection that it may now or hereafter have to the laying of venue or the convenience of the forum of any action or claim with respect to this Agreement or the transactions contemplated thereby brought in the courts aforesaid.

10. Entire Agreement. This Agreement constitutes the entire understanding **between** NBTB and Executive relating to the subject matter hereof. Any previous agreements or understandings between the parties hereto or between Executive and NBT Bank or any of its affiliates regarding the subject matter hereof, including without limitation the terms and conditions of employment, compensation, benefits, retirement, competition following employment, and the like, are merged into and superseded by this Agreement. Neither this Agreement nor any provisions hereof can be modified, changed, discharged, or terminated except by an instrument in writing signed by the party against whom any waiver, change, discharge, or termination is sought.

11. Illegality; Severability.

(a) Anything in this Agreement to the contrary notwithstanding, this Agreement is not intended and shall not be construed to require any payment to Executive which would violate any federal or state statute or regulation, including without limitation the "golden parachute payment regulations" of the Federal Deposit Insurance Corporation codified to Part 359 of title 12, Code of Federal Regulations.

(b) If any provision or provisions of this Agreement shall be held to be invalid, illegal, or unenforceable for any reason whatsoever:

(i) the validity, legality, and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal, or unenforceable) shall not in any way be affected or impaired thereby; and

(ii) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provisions held to be invalid, illegal, or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal, or unenforceable.

12. Arbitration. Subject to the right of each party to seek specific performance (which right shall not be subject to arbitration), if a dispute arises out of or related to this Agreement, or the breach thereof, such dispute shall be referred to arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA"). A dispute subject to the provisions of this section will exist if either party notifies the other party in writing that a dispute subject to arbitration exists and states, with reasonable specificity, the issue subject to arbitration (the "Arbitration Notice"). The parties agree that, after the issuance of the Arbitration Notice, the parties will try in good faith to resolve the dispute by mediation in accordance with the Commercial Rules of Arbitration of AAA between the date of the issuance of the Arbitration Notice and the date the dispute is set for arbitration. If the dispute is not settled by the date set for arbitration, then any controversy or claim arising out of this Agreement or the breach hereof shall be resolved by binding arbitration and judgment upon any award rendered by arbitrator(s) may be entered in a court having jurisdiction. Any person serving as a mediator or arbitrator must have at least ten years' experience in resolving commercial disputes through arbitration. In the event any claim or dispute involves an amount in excess of \$100,000, either party may request that the matter be heard by a panel of three arbitrators; otherwise all matters subject to arbitration shall be heard and resolved by a single arbitrator. The arbitrator shall have the same power to compel the attendance of witnesses and to order the production of documents or other materials and to enforce discovery as could be exercised by a United States District Court judge sitting in the Northern District of New York. In the event of any arbitration, each party shall have a reasonable right to conduct discovery to the same extent permitted by the Federal Rules of Civil Procedure, provided that such discovery shall be concluded within ninety days after the date the matter is set for arbitration. In the event of any arbitration, the arbitrator or arbitrators shall have the power to award reasonable attorney's fees to the prevailing party. Any provision in this Agreement to the contrary notwithstanding, this section shall be governed by the Federal Arbitration Act and the parties have entered into this Agreement pursuant to such Act.

13. Costs of Litigation. In the event litigation is commenced to enforce any of the provisions hereof, or to obtain declaratory relief in connection with any of the provisions hereof, the prevailing party shall be entitled to recover reasonable attorney's fees. In the event this Agreement is asserted in any litigation as a defense to any liability, claim, demand, action, cause of action, or right asserted in such litigation, the party prevailing on the issue of that defense shall be entitled to recovery of reasonable attorney's fees.

14. Affiliation. A company will be deemed to be "affiliated" with NBTB or NBT Bank according to the definition of "Affiliate" set forth in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended.

15. Headings. The section and subsection headings herein have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof.

IN WITNESS WHEREOF, the parties hereto executed or caused this Agreement to be executed as of the day and year first above written.

NBT BANCORP INC.

By: /S/ Daryl R. Forsythe
Daryl R. Forsythe
Chairman and
Chief Executive Officer

MICHAEL J. CHEWENS

/S/ Michael J. Chewens

Exhibit 10.21

Form of Employment Agreement between NBT Bancorp Inc. and David E. Raven made as of August 31, 2005.

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement") made and entered into as of this thirty first day of August 2005 by and between DAVID E. RAVEN ("Executive") and NBT BANCORP INC., a Delaware corporation having its principal office in Norwich, New York ("NBTB")

WITNESSETH THAT:

WHEREAS, Executive is an executive vice president of NBTB and president and chief executive officer of Pennstar Bank, a Division of NBT Bank, National Association, a national banking association which is a wholly-owned subsidiary of NBTB ("NBT Bank");

WHEREAS, NBTB desires to secure the continued employment of Executive, subject to the provisions of this Agreement; and

WHEREAS, Executive is desirous of entering into the Agreement for such periods and upon the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and mutual covenants and agree-ments hereinafter set forth, intending to be legally bound, the parties agree as follows:

1. Employment; Responsibilities and Duties.

(a) NBTB and NBT Bank hereby agrees to employ Executive and to cause Pennstar Bank and any successor organization to Pennstar Bank to employ Executive, and Executive hereby agrees to serve as an executive vice president of NBTB and president and chief executive officer of Pennstar Bank, during the Term of Employment. Executive shall have such executive duties, responsibilities, and authority as shall be set forth in the bylaws of NBTB and NBT Bank or as may otherwise be determined by NBTB or NBT Bank. During the Term of Employment, Executive shall report directly to the chief executive officer of NBT Bank and dotted line to the Chairman of the Board of Pennstar Bank.

(b) Executive shall devote his full working time and best efforts to the performance of his responsibilities and duties hereunder. During the Term of Employment, Executive shall not, without the prior written consent of the chief executive officer of NBT Bank, render services as an employee, independent contractor, or otherwise, whether or not compensated, to any person or entity other than NBTB or its affiliates; provided that Executive may, where involvement in such activities does not individually or in the aggregate significantly interfere with the performance by Executive of his duties or violate the provisions of section 4 hereof, (i) render services to charitable organizations, (ii) manage his personal investments, and (iii) with the prior permission of the chief executive officer of NBT Bank, hold such other directorships or part-time academic appointments or have such other business affiliations as would otherwise be prohibited under this section 1.

2. Term of Employment.

(a) The term of this Agreement ("Term of Employment") shall be the period commencing on the date of this Agreement (the "Commencement Date") and continuing until the Termination Date, which shall mean the earliest to occur of:

(i) January 1, 2008 provided, however, that on January 1, 2006 and each January 1 thereafter, the Term of Employment shall automatically be extended by one additional year;

(ii) the death of Executive;

(iii) Executive's inability to perform his duties hereunder, as a result of physical or mental disability as reasonably determined by the personal physician of Executive, for a period of at least 180 consecutive days or for at least 180 days during any period of twelve consecutive months during the Term of Employment; or

(iv) the discharge of Executive by NBTB "for cause," which shall mean one or more of the following:

(A) any willful or gross misconduct by Executive with respect to the business and affairs of NBTB or Pennstar Bank, or with respect to any of its affiliates for which Executive is assigned material responsibilities or duties;

(B) the conviction of Executive of a felony (after the earlier of the expiration of any applicable appeal period without perfection of an appeal by Executive or the denial of any appeal as to which no further appeal or review is available to Executive) whether or not committed in the course of his employment by NBTB;

(C) Executive's willful neglect, failure, or refusal to carry out his duties hereunder in a reasonable manner (other than any such failure resulting from disability or death or from termination by Executive for Good Reason, as hereinafter defined) after a written demand for substantial performance is delivered to Executive that specifically identifies the manner in which NBTB believes that Executive has not substantially performed his duties and Executive has not resumed substantial performance of his duties on a continuous basis within thirty days of receiving such demand; or

(D) the breach by Executive of any representation or warranty in section 6(a) hereof or of any agreement contained in section 1, 4, 5, or 6(b) hereof, which breach is material and adverse to NBTB or any of its affiliates for which Executive is assigned material responsibilities or duties; or

(v) Executive's resignation from his position as executive vice president of NBTB or as president and chief executive officer of Pennstar Bank other than for "Good Reason," as hereinafter defined; or

(vi) the termination of Executive's employment by NBTB "without cause," which shall be for any reason other than those set forth in subsections (i), (ii), (iii), (iv), or (v) of this section 2(a), at any time, upon the thirtieth day following notice to Executive; or

(vii) Executive's resignation for "Good Reason."

"Good Reason" shall mean, without Executive's express written consent, reassignment of Executive to a position other than executive vice president of NBTB or as president and chief executive officer of Pennstar Bank other than for "Cause," or a decrease in the amount or level of Executive's salary or benefits from the amount or level established in section 3 hereof.

(b) In the event that the Term of Employment shall be terminated for any reason other than that set forth in section 2(a)(vi) or 2(a)(vii) hereof, Executive shall be entitled to receive, upon the occurrence of any such event:

(i) any salary (as hereinafter defined) payable pursuant to section 3(a)(i) hereof which shall have accrued as of the Termination Date; and

(ii) such rights as Executive shall have accrued as of the Termination Date under the terms of any plans or arrangements in which he participates pursuant to section 3(b) hereof, any right to reimbursement for expenses accrued as of the Termination Date payable pursuant to section 3(h) hereof, and the right to receive the cash equivalent of paid annual leave and sick leave accrued as of the Termination Date pursuant to section 3(d) hereof.

(c) In the event that the Term of Employment shall be terminated for the reason set forth in section 2(a)(vi) or 2(a)(vii) hereof, Executive shall be entitled to receive:

(i) any salary payable pursuant to section 3(a)(i) hereof which shall have accrued as of the Termination Date, and, for the period commencing on the date immediately following the Termination Date and ending upon and including the latest of the third anniversary of the Commencement Date or the date to which the Term of Employment shall (as of the Termination Date) have automatically extended itself under section 2(a)(i) hereof, salary payable at the rate established pursuant to section 3(a)(i) hereof, in a manner consistent with the normal payroll practices of NBTB with respect to executive personnel as presently in effect or as they may be modified by NBTB from time to time;

(ii) such rights as Executive may have accrued as of the Termination Date under the terms of any plans or arrangements in which he participates pursuant to section 3(b) hereof, any right to reimbursement for expenses accrued as of the Termination Date payable pursuant to section 3(h) hereof, and the right to receive the cash equivalent of paid annual leave and sick leave accrued as of the Termination Date pursuant to section 3(d) hereof; and

(iii) if, within eighteen (18) months following the Termination Date, Executive should sell his principal residence in the Scranton Rand McNally Metropolitan Area as determined by Rand McNally & Company (the "Scranton RMA") and relocate to a place outside of the Scranton RMA, (A) reimbursement for any shortfall between the net proceeds on the sale of his principal residence and the purchase price plus improvements including direct, necessary and reasonable transaction costs incurred in connection with such purchase, as determined by the finance division of NBTB, for such residence, and including direct, necessary and reasonable expenses, as determined by the finance division of NBTB, incurred to prepare the residence for sale, (B) reimbursement for direct, necessary and reasonable expenses, as determined by the finance division of NBTB, incurred in connection with the sale of such residence not already included as part of the reimbursement under (A) above, and (C) an amount necessary to pay all federal, state and local income taxes resulting from any reimbursement made pursuant to (A) and (B) (including any additional federal state and local income taxes resulting from the payment hereunder of such taxes), the intent being that Executive shall be paid an additional amount (the "Gross-Up") such that the net amount retained by the Executive, after deduction of such federal, state and local income taxes resulting from the reimbursement under (A) and (B) shall be equal to the amount of the reimbursement under (A) and (B) before payment of such taxes; for purposes of determining the amount of the Gross-Up, Executive shall be deemed to pay federal, state and local income taxes at the highest marginal rate of taxation in effect in the calendar year in which the reimbursement is made. Amounts due under this subsection shall be paid as soon as administratively practicable, but in no event later than ninety (90) days after the date of the sale of Executive's principal residence.

Notwithstanding the foregoing, in the event the Executive is reimbursed, entitled to reimbursement, or is paid any amounts by an entity or entities other than NBTB or Pennstar Bank or any affiliate or successor thereof (the "Third Party"), for any amounts for which Executive has received, or is entitled to receive, reimbursement under (A) or (B) above with respect to the sale of his principal residence or any Gross-Up under (C) above, the Executive agrees:

- (1) with regard to amounts already paid by NBTB or Pennstar Bank or any affiliate or successor thereof (hereinafter referred to collectively as the "Company"), the Executive shall notify the Company of all amounts received or due from the Third Party, and shall reimburse the Company in an amount equal to the amount so received or due from the Third Party up to the amount the Company paid to the Executive under (A), (B), and (C) above; and
- (2) with regard to amounts due but not yet paid by the Company to the Executive, the Executive shall notify the Company of any amounts received or due from the Third Party, and the Executive agrees that the Company shall reduce the amount due under (A), (B), and (C) above by the amount the Executive has been paid or is entitled to be paid by the Third Party up to the amount due the Executive from the Company.

(d) Any provision of this section 2 to the contrary notwithstanding, in the event that the employment of Executive with NBTB is terminated in any situation described in section 3 of the change-in-control letter agreement dated July 23, 2001 between NBTB and Executive (the "Change-in-Control Agreement") so as to entitle Executive to a severance payment and other benefits described in section 3 of the Change-in-Control Agreement, then Executive shall be entitled to receive the following, and no more, under this section 2:

- (i) any salary payable pursuant to section 3(a)(i) hereof which shall have accrued as of the Termination Date;
 - (ii) such rights as Executive shall have accrued as of the Termination Date under the terms of any plans or arrangements in which he participates pursuant to section 3(b) hereof, any right to reimbursement for expenses accrued as of the Termination Date payable pursuant to section 3(h) hereof, and the right to receive the cash equivalent of paid annual leave and sick leave accrued as of the Termination Date pursuant to section 3(d) hereof; and
 - (iii) the severance payment and other benefits provided in the Change-in-Control Agreement; and
-

(iv) if, within eighteen (18) months following the Termination Date, Executive should sell his principal residence in the Scranton RMA and relocate to a place outside of the Scranton RMA, (A) reimbursement for any shortfall between the net proceeds on the sale of his principal residence and the purchase price plus improvements, including direct, necessary and reasonable transaction costs incurred in connection with such purchase, as determined by the finance division of NBT Bank, for such residence, and including direct, necessary and reasonable expenses, as determined by the finance division of NBT Bank, incurred to prepare the residence for sale, (B) reimbursement for direct, necessary and reasonable expenses, as determined by the finance division of NBT Bank, incurred in connection with the sale of such residence not already included as part of the reimbursement under (A) above, and (C) the Gross-Up, the intent being that the net amount retained by the Executive, after deduction of such federal, state and local income taxes resulting from the reimbursement under (A) and (B) shall be equal to the amount of the reimbursement under (A) and (B) before payment of such taxes; for purposes of determining the amount of the Gross-Up, Executive shall be deemed to pay federal, state and local income taxes at the highest marginal rate of taxation in effect in the calendar year in which the reimbursement is made. Amounts due under this subsection shall be paid as soon as administratively practicable, but in no event later than ninety (90) days after the date of the sale of Executive's principal residence.

Notwithstanding the foregoing, in the event the Executive is reimbursed, entitled to reimbursement, or is paid any amounts by a Third Party, for any amounts for which Executive has received, or is entitled to receive, reimbursement under (A) or (B) above with respect to the sale of his principal residence or any Gross-Up under (C) above, the Executive agrees:

- (5) with regard to amounts already paid by the Company, the Executive shall notify the Company of all amounts received or due from the Third Party, and shall reimburse the Company in an amount equal to the amount so received or due from the Third Party up to the amount the Company paid to the Executive under (A), (B), and (C) above; and
- (6) with regard to amounts due but not yet paid by the Company to the Executive, the Executive shall notify the Company of any amounts received or due from the Third Party, and the Executive agrees that the Company shall reduce the amount due under (A), (B), and (C) above by the amount the Executive has been paid or is entitled to be paid by the Third Party up to the amount due the Executive from the Company.

3. Compensation. For the services to be performed by Executive for NBTB and its affiliates under this Agreement, Executive shall be compensated in the following manner:

(a) Salary. During the Term of Employment:

(i) NBTB shall pay Executive a salary, which, on an annual basis, shall be \$275,000.00 commencing on August 1, 2005. Salary commencing on January 1, 2007 will be negotiated between Executive and the CEO of NBTB based on recommendations from the Compensation and Benefits Committee and in line with compensation for comparable positions in companies of similar size and structure, but in no case less than \$275,000.00. Salary shall be payable in accordance with the normal payroll practices of NBTB with respect to executive personnel as presently in effect or as they may be modified by NBTB from time to time.

(ii) Executive shall be eligible to be considered for performance bonuses commensurate with the Executive's title and salary grade in accordance with the compensation policies of NBTB with respect to executive personnel as presently in effect or as they may be modified by NBTB from time to time.

(b) Employee Benefit Plans or Arrangements. During the Term of Employment, Executive shall be entitled to participate in all employee benefit plans of NBTB, as presently in effect or as they may be modified by NBTB from time to time, under such terms as may be applicable to officers of Executive's rank employed by NBTB or its affiliates, including, without limitation, plans providing retirement benefits, stock options, medical insurance, life insurance, disability insurance, and accidental death or dismemberment insurance, provided that there be no duplication of such benefits as are provided under any other provision of this Agreement.

(c) Stock Options and NBTB Performance Share Plan. Each January or February annually during the Term of Employment, NBTB will cause Executive to be granted a non-statutory ("non-qualified") stock option (each an "Option") to purchase the number of shares of the common stock of NBTB, \$0.01 par value (the "NBTB Common Stock"), pursuant to the NBT Bancorp Inc. 1993 Stock Option Plan, as amended, or any appropriate successor plan (the "Stock Option Plan"), computed by using a formula approved by NBTB that is commensurate with the Executive's title and salary grade. The option exercise price per share of the shares subject to each Option shall be such Fair Market Value, and the terms, conditions of exercise, and vesting schedule of such Option shall be as set forth in section 8 of the Stock Option Plan. In addition, Executive shall be entitled to participate in ant NBTB Performance Share Plan (the " Performance Share Plan") as applicable to officers of Executive's rank.

(d) Vacation and Sick Leave. During the Term of Employment, Executive shall be entitled to paid annual vacation periods and sick leave in accordance with the policies of NBTB as in effect as of the Commencement Date or as may be modified by NBTB from time to time as may be applicable to officers of Executive's rank employed by NBTB or its affiliates, but in no event less than four weeks of paid vacation per year.

(e) Automobile. During the Term of Employment, Executive shall be entitled to the use of an automobile owned by NBTB or an affiliate of NBTB, the make, model, and year of which automobile shall be appropriate to an officer of Executive's rank and which will be replaced every two years (or earlier if the accumulated mileage exceeds 50,000 miles). Executive shall be responsible for all expenses of ownership and use of any such automobile, subject to reimburse-ment of expenses for business use in accordance with section 3(h).

(f) Country Club Dues. During the Term of Employment, Executive shall be reimbursed for dues and assessments incurred in relation to Executive's membership at a country club mutually agreed upon by the chief executive officer of NBT Bank and the Executive.

(g) Withholding. All compensation to be paid to Executive hereunder shall be subject to required withholding and other taxes.

(h) Expenses. During the Term of Employment, Executive shall be reim-bursed for reasonable travel and other expenses incurred or paid by Executive in connection with the performance of his services under this Agreement, upon presentation of expense statements or vouchers or such other supporting information as may from time to time be requested, in accordance with such policies of NBTB as are in effect as of the Commencement Date and as may be modified by NBTB from time to time, under such terms as may be applicable to officers of Executive's rank employed by NBTB or its affiliates.

4. Confidential Business Information; Non-Competition.

(a) Executive acknowledges that certain business methods, creative techniques, and technical data of NBTB and its affiliates and the like are deemed by NBTB to be and are in fact confidential business information of NBTB or its affiliates or are entrusted to third parties. Such confidential information includes but is not limited to procedures, methods, sales relationships developed while in the service of NBTB or its affiliates, knowledge of customers and their requirements, marketing plans, marketing information, studies, forecasts, and surveys, competitive analyses, mailing and marketing lists, new business proposals, lists of vendors, consultants, and other persons who render service or provide material to NBTB or Pennstar Bank or their affiliates, and compositions, ideas, plans, and methods belonging to or related to the affairs of NBTB or Pennstar Bank or their affiliates. In this regard, NBTB asserts proprietary rights in all of its business information and that of its affiliates except for such information as is clearly in the public domain. Notwithstanding the foregoing, information that would be generally known or available to persons skilled in Executive's fields shall be considered to be "clearly in the public domain" for the purposes of the preceding sentence. Executive agrees that he will not disclose or divulge to any third party, except as may be required by his duties hereunder, by law, regulation, or order of a court or government authority, or as directed by NBTB, nor shall he use to the detriment of NBTB or its affiliates or use in any business or on behalf of any business competitive with or substantially similar to any business of NBTB or Pennstar Bank or their affiliates, any confidential business information obtained during the course of his employment by NBTB. The foregoing shall not be construed as restricting Executive from disclosing such information to the employees of NBTB or Pennstar Bank or their affiliates. On or before the Termination Date, Executive shall promptly deliver to NBTB any and all tangible, confidential information in his possession.

(b) Executive hereby agrees that from the Commencement Date until the first anniversary of the Termination Date, Executive will not (i) interfere with the relationship of NBTB or Pennstar Bank or their affiliates with any of their employees, suppliers, agents, or representatives (including without limitation, causing or helping another business to hire any employee of NBTB or Pennstar Bank or their affiliates), or (ii) directly or indirectly divert or attempt to divert from NBTB, Pennstar Bank or their affiliates any business in which any of them has been actively engaged during the Term of Employment, nor interfere with the relationship of NBTB, Pennstar Bank or their affiliates with any of their customers or prospective customers. This paragraph 4(b) shall not, in and of itself, prohibit Executive from engaging in the banking, trust, or financial services business in any capacity, including that of an owner or employee.

(c) Executive acknowledges and agrees that irreparable injury will result to NBTB in the event of a breach of any of the provisions of this section 4 (the "Designated Provisions") and that NBTB will have no adequate remedy at law with respect thereto. Accordingly, in the event of a material breach of any Designated Provision, and in addition to any other legal or equitable remedy NBTB may have, NBTB shall be entitled to the entry of a preliminary and permanent injunction (including, without limitation, specific performance) by a court of competent jurisdiction in Chenango County, New York, or elsewhere, to restrain the violation or breach thereof by Executive, and Executive submits to the jurisdiction of such court in any such action.

(d) It is the desire and intent of the parties that the provisions of this section 4 shall be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular provision of this section 4 shall be adjudicated to be invalid or unenforceable, such provision shall be deemed amended to delete therefrom the portion thus adjudicated to be invalid or unenforceable, such deletion to apply only with respect to the operation of such provision in the particular jurisdiction in which such adjudication is made. In addition, should any court determine that the provisions of this section 4 shall be unenforceable with respect to scope, duration, or geographic area, such court shall be empowered to substitute, to the extent enforceable, provisions similar hereto or other provisions so as to provide to NBTB, to the fullest extent permitted by applicable law, the benefits intended by this section 4.

5. Life Insurance. In light of the unusual abilities and experience of Executive, NBTB (or its affiliates) in its discretion may apply for and procure as owner and for its own benefit insurance on the life of Executive, in such amount and in such form as NBTB may choose. NBTB shall make all payments for such insurance and shall receive all benefits from it. Executive shall have no interest whatsoever in any such policy or policies but, at the request of NBTB, shall submit to medical examinations and supply such information and execute such documents as may reasonably be required by the insurance company or companies to which NBTB has applied for insurance.

6. Representations and Warranties.

(a) Executive represents and warrants to NBTB that his execution, delivery, and performance of this Agreement will not result in or constitute a breach of or conflict with any term, covenant, condition, or provision of any commitment, contract, or other agreement or instrument, including, without limitation, any other employment agreement, to which Executive is or has been a party.

(b) Executive shall indemnify, defend, and hold harmless NBTB for, from, and against any and all losses, claims, suits, damages, expenses, or liabilities, including court costs and counsel fees, which NBTB has incurred or to which NBTB may become subject, insofar as such losses, claims, suits, damages, expenses, liabilities, costs, or fees arise out of or are based upon any failure of any representation or warranty of Executive in section 6(a) hereof to be true and correct when made.

7. Notices. All notices, consents, waivers, or other communications which are required or permitted hereunder shall be in writing and deemed to have been duly given if delivered personally or by messenger, transmitted by telex or telegram, by express courier, or sent by registered or certified mail, return receipt requested, postage prepaid. All communications shall be addressed to the appropriate address of each party as follows:

If to NBTB:

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

Attention: Chief Executive Officer

With a required copy to:

NBT Bancorp Inc. Corporate Counsel

If to Executive:

Mr. David E. Raven
808 Parkview Road
Moscow, PA 18444

All such notices shall be deemed to have been given on the date delivered, transmitted, or mailed in the manner provided above.

8. Assignment. Neither party may assign this Agreement or any rights or obligations hereunder without the consent of the other party.

9. Governing Law. This Agreement shall be governed by, construed, and enforced in accordance with the laws of the State of New York, without giving effect to the principles of conflict of law thereof. The parties hereby designate Chenango County, New York to be the proper jurisdiction and venue for any suit or action arising out of this Agreement. Each of the parties consents to personal jurisdiction in such venue for such a proceeding and agrees that it may be served with process in any action with respect to this Agreement or the transactions contemplated thereby by certified or registered mail, return receipt requested, or to its registered agent for service of process in the State of New York. Each of the parties irrevocably and unconditionally waives and agrees, to the fullest extent permitted by law, not to plead any objection that it may now or hereafter have to the laying of venue or the convenience of the forum of any action or claim with respect to this Agreement or the transactions contemplated thereby brought in the courts aforesaid.

10. Entire Agreement. This Agreement constitutes the entire understanding among NBTB and Executive relating to the subject matter hereof. Any previous agreements or understandings between the parties hereto or between Executive and Pennstar Bank or any of its affiliates regarding the subject matter hereof, including without limitation the terms and conditions of employment, compensation, benefits, retirement, competition following employment, and the like, are merged into and superseded by this Agreement. Neither this Agreement nor any provisions hereof can be modified, changed, discharged, or terminated except by an instrument in writing signed by the party against whom any waiver, change, discharge, or termination is sought.

11. Illegality; Severability.

(a) Anything in this Agreement to the contrary notwithstanding, this Agreement is not intended and shall not be construed to require any payment to Executive which would violate any federal or state statute or regulation, including without limitation the "golden parachute payment regulations" of the Federal Deposit Insurance Corporation codified to Part 359 of title 12, Code of Federal Regulations.

(b) If any provision or provisions of this Agreement shall be held to be invalid, illegal, or unenforceable for any reason whatsoever:

(i) the validity, legality, and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal, or unenforceable) shall not in any way be affected or impaired thereby; and

(ii) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provisions held to be invalid, illegal, or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal, or unenforceable.

12. Arbitration. Subject to the right of each party to seek specific performance (which right shall not be subject to arbitration), if a dispute arises out of or related to this Agreement, or the breach thereof, such dispute shall be referred to arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA"). A dispute subject to the provisions of this section will exist if either party notifies the other party in writing that a dispute subject to arbitration exists and states, with reasonable specificity, the issue subject to arbitration (the "Arbitration Notice"). The parties agree that, after the issuance of the Arbitration Notice, the parties will try in good faith to resolve the dispute by mediation in accordance with the Commercial Rules of Arbitration of AAA between the date of the issuance of the Arbitration Notice and the date the dispute is set for arbitration. If the dispute is not settled by the date set for arbitration, then any controversy or claim arising out of this Agreement or the breach hereof shall be resolved by binding arbitration and judgment upon any award rendered by arbitrator(s) may be entered in a court having jurisdiction. Any person serving as a mediator or arbitrator must have at least ten years' experience in resolving commercial disputes through arbitration. In the event any claim or dispute involves an amount in excess of \$100,000, either party may request that the matter be heard by a panel of three arbitrators; otherwise all matters subject to arbitration shall be heard and resolved by a single arbitrator. The arbitrator shall have the same power to compel the attendance of witnesses and to order the production of documents or other materials and to enforce discovery as could be exercised by a United States District Court judge sitting in the Northern District of New York. In the event of any arbitration, each party shall have a reasonable right to conduct discovery to the same extent permitted by the Federal Rules of Civil Procedure, provided that such discovery shall be concluded within ninety days after the date the matter is set for arbitration. In the event of any arbitration, the arbitrator or arbitrators shall have the power to award reasonable attorney's fees to the prevailing party. Any provision in this Agreement to the contrary notwithstanding, this section shall be governed by the Federal Arbitration Act and the parties have entered into this Agreement pursuant to such Act.

13. Costs of Litigation. In the event litigation is commenced to enforce any of the provisions hereof, or to obtain declaratory relief in connection with any of the provisions hereof, the prevailing party shall be entitled to recover reasonable attorney's fees. In the event this Agreement is asserted in any litigation as a defense to any liability, claim, demand, action, cause of action, or right asserted in such litigation, the party prevailing on the issue of that defense shall be entitled to recovery of reasonable attorney's fees.

14. Affiliation. A company will be deemed to be "affiliated" with NBTB or Pennstar Bank according to the definition of "Affiliate" set forth in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended.

15. Headings. The section and subsection headings herein have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof.

IN WITNESS WHEREOF, the parties hereto executed or caused this Agreement to be executed as of the day and year first above written.

NBT BANCORP INC.

By: /S/ Daryl R. Forsythe
Daryl R. Forsythe
Chairman and
Chief Executive Officer

DAVID E. RAVEN

/S/ David E. Raven

Exhibit 10.24

Form of Employment Agreement between NBT Bancorp Inc. and Ronald M. Bentley made as of August 31, 2005.

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement") is made and entered into this 31st day of August 2005, by and between Ronald M. Bentley ("Executive") and NBT BANCORP INC., a Delaware corporation having its principal office in Norwich, New York ("NBTB")

W I T N E S S E T H T H A T :

WHEREAS, Executive is serving as the Executive Vice President of NBTB and President of Retail Banking of NBT Bank, National Association, a national banking association which is a wholly-owned subsidiary of NBTB ("NBT Bank");

WHEREAS, the parties desire to enter into this Agreement, setting forth the terms and conditions of the continued employment relationship of Executive with NBTB;

NOW, THEREFORE, in consideration of the foregoing and the mutual promises, covenants and agreements set forth in this Agreement, intending to be legally bound, the parties agree as follows:

1. Employment; Responsibilities and Duties.

(a) NBTB hereby agrees to continue to employ Executive and to cause NBT Bank and any successor organization to NBT Bank to employ Executive, and Executive hereby agrees to serve as the Executive Vice President of NBTB and President of Retail Banking of NBT Bank and any successor organization to NBTB or NBT Bank, as applicable, during the Term of Employment (as such term is defined below). During the Term of Employment, Executive shall perform all duties, and responsibilities, and have the authority as shall be set forth in the bylaws of NBTB or NBT Bank or as may otherwise be determined and assigned to him by NBTB or by NBT Bank.

(b) Executive shall devote his full working time and best efforts to the performance of his responsibilities and duties hereunder. During the Term of Employment, Executive shall not, without the prior written consent of the Chief Executive Officer of NBTB, render services as an employee, independent contractor, or otherwise, whether or not compensated, to any person or entity other than NBTB, NBT Bank or their affiliates; provided that Executive may, where involvement in such activities does not individually or in the aggregate significantly interfere with the performance of his duties or violate the provisions of section 4 hereof, (i) render services to charitable organizations, (ii) manage his personal investments, and (iii) with the prior permission of the Chief Executive Officer of NBTB, hold such other directorships or part-time academic appointments or have such other business affiliations as would otherwise be prohibited under this section 1.

2. Term of Employment.

(a) The initial term of employment under this Agreement shall be for the period commencing on the date hereof and ending on January 1, 2007 (the "Initial Term"), provided, however, that on December 31, 2006, and each December 31, thereafter, the term of the agreement shall extend itself by one additional year (the "Extended Term"), unless NBTB has given contrary written notice to Executive at least 90 days before any such renewal date. The Initial Term and all such Extended Terms are collectively referred to herein as the "Term of Employment."

(b) Executive's employment with NBTB shall not terminate prior to the expiration of the Initial Term or any Extended Term, except as provided below:

(i) Voluntary Termination. Executive may terminate this Agreement upon not less than 90 days prior written notice delivered to NBTB, in which event Executive shall be entitled to compensation and benefits earned or accrued through the effective date of termination (the "Termination Date").

(ii) Termination Upon Death. This Agreement shall terminate upon Executive's death, in which event Executive's estate shall be entitled to compensation and benefits earned or accrued through the date of death.

(iii) Termination Upon Disability. NBTB may terminate this Agreement upon Executive's disability. For purposes of this Agreement, Executive's inability to perform his duties hereunder by reason of physical or mental illness or injury for a period of at least 90 consecutive days or at least 120 days in any period of 12 consecutive months (the "Disability Period") shall constitute disability. The determination of disability shall be made by a physician selected by NBTB. During the Disability Period, Executive shall be entitled to the Base Salary (as such term is defined below) otherwise payable during that period, reduced by any other NBTB provided benefits to which Executive may be entitled, which benefits are specifically payable solely on account of such disability (including, but not limited to, benefits provided under any disability insurance policy or program, worker's compensation law, or any other benefit program or arrangement). In the event of termination upon Executive's disability, Executive shall be entitled to compensation or benefits earned or accrued through the Termination Date.

(iv) Termination for Cause. NBTB may terminate Executive's employment for Cause by written notice to Executive. For purposes of this Agreement, "Cause" shall mean Executive's: (1) personal dishonesty, incompetence (which shall be measured against standards generally prevailing in the financial institutions industry), willful or gross misconduct with respect to the business and affairs of NBTB or NBT Bank, or with respect to any of their affiliates for which Executive is assigned material responsibilities or duties; (2) willful neglect, failure, or refusal to carry out his duties hereunder in a reasonable manner after a written demand for substantial performance is delivered to Executive that specifically identifies the manner in which NBTB believes that Executive has not substantially performed his duties and Executive has not resumed such substantial performance within 21 days of receiving such demand; (3) willful violation of any law, rule, or regulation (other than traffic violations or similar offenses) or the conviction of a felony, whether or not committed in the course of his employment with NBTB; (4) being a specific subject of a final cease and desist order from, written agreement with, or other order or supervisory direction from, any federal or state regulatory authority; (5) conduct tending to bring NBTB, NBT Bank or any of their affiliates into public disgrace or disrepute; or (6) breach of any representation or warranty in section 6(a) hereof or of any agreement contained in section 1, 4, 5 or 6(b) hereof.

Notwithstanding any other term or provision of this Agreement to the contrary, if Executive's employment is terminated for Cause, Executive shall forfeit all rights to compensation and benefits otherwise provided pursuant to this Agreement; provided, however, that the Base Salary shall be paid through the Termination Date.

(v) Termination Without Cause. NBTB may terminate Executive's employment for reasons other than Cause upon not less than 30 days prior written notice delivered to Executive, in which event Executive shall be entitled to the Base Salary for a period of 12 months following the Termination Date and the compensation and benefits earned or accrued through the Termination Date.

(vi) Termination for Good Reason. If Executive terminates his employment with NBTB for Good Reason, other than following a Change of Control, such termination shall be deemed to have been a termination by NBTB of the Executive's employment without Cause and Executive shall be entitled to receive all benefits and payments due to him under such a termination. "Good Reason" shall mean, without Executive's express written consent, reassignment of Executive to a position other than for "Cause," or a decrease in the amount or level of Executive's salary or benefits from the amount or level established herein.

(vii) Resignation. Effective upon Executive's termination of employment for any reason, Executive hereby resigns from any and all offices and positions related to Executive's employment with NBTB, NBT Bank or any affiliates thereof, and held by Executive at the time of termination.

(viii) Regulatory Limits. Notwithstanding any other provision in this Agreement NBTB may terminate or suspend this Agreement and the employment of Executive hereunder, as if such termination were for Cause under section 2(b)(iv) hereof, to the extent required by the applicable federal or state statute related to banking, deposit insurance or bank or savings institution holding companies or by regulations or orders issued by the Office of the Controller of the Currency, the Federal Deposit Insurance Corporation or any other state or federal banking regulatory agency having jurisdiction over NBT Bank or NBTB, and no payment shall be required to be made to or for the benefit of Executive under this Agreement to the extent such payment is prohibited by applicable law, regulation or order issued by a banking agency or a court of competent jurisdiction; provided, that it shall be NBTB's burden to prove that any such action was so required

(c) Any provision of this section 2 to the contrary notwithstanding, in the event that the employment of Executive with NBTB is terminated in any situation described in section 3 of the change-in-control letter agreement dated May 1, 2003 between NBTB and Executive (the "Change-in-Control Agreement") so as to entitle Executive to a severance payment and other benefits described in section 3 of the Change-in-Control Agreement, then Executive shall be entitled to receive the following, and no more, under this section 2:

(i) compensation and benefits earned or accrued through the Termination Date; and (ii) the severance payment and other benefits provided in the Change-in-Control Agreement; and.

3. Compensation. For the services to be performed by Executive for NBTB and its affiliates under this Agreement, Executive shall be compensated in the following manner:

(a) Base Salary. During the Term of Employment:

(i) NBTB shall pay Executive a salary which, on an annual basis, shall be \$210,000.00 (the "Base Salary") commencing on August 31, 2005. Thereafter, Executive's salary may, in the sole discretion of NBTB, be negotiated between Executive and the Chief Executive Officer of NBTB based on recommendations from NBTB's Compensation and Benefits Committee and in line with compensation for comparable positions in companies of similar size and structure, but in no case less than \$210,000.00. Adjustments to the Base Salary, if any, shall be determined by NBTB. The Base Salary shall be payable in accordance with the normal payroll practices of NBTB with respect to executive personnel as presently in effect or as they may be modified by NBTB from time to time.

(ii) Executive shall be eligible to be considered for performance bonuses commensurate with the Executive's title and salary grade in accordance with the compensation policies of NBTB with respect to executive personnel as presently in effect or as they may be modified by NBTB from time to time.

(b) Employee Benefit Plans or Arrangements. During the Term of Employment, Executive shall be entitled to participate in all employee benefit plans of NBTB, as presently in effect or as they may be modified by NBTB from time to time, under such terms as may be applicable to officers of Executive's rank employed by NBTB or its affiliates, including, without limitation, plans providing retirement benefits, stock options, medical insurance, life insurance, disability insurance, and accidental death or dismemberment insurance, provided that there be no duplication of such benefits as are provided under any other provision of this Agreement.

(c) Stock Options and Restricted Stock. Each January or February annually during the Term of Employment, Executive will be eligible to be granted a non-statutory ("non-qualified") stock option (each an "Option") to purchase the number of shares of the common stock of NBTB, \$0.01 par value, (the "NBTB Common Stock"), pursuant to the NBT Bancorp Inc. 1993 Stock Option Plan, as amended, or any appropriate successor plan (the "Stock Option Plan"), computed by using a formula approved by NBTB that is commensurate with Executive's title and salary grade. The option exercise price per share of the shares subject to each Option shall be such Fair Market Value as set forth in the Stock Option Plan, and the terms, conditions of exercise, and vesting schedule of such Option shall be as set forth in section 8 of the Stock Option Plan.

In addition, Executive shall be entitled to participate in the NBTB Performance Share Plan as applicable to officers of Executive's rank subject to the terms, conditions and vesting schedule set forth in the NBT Bancorp Inc. Performance Share Plan, dated May 1, 2003.

(d) Vacation and Sick Leave. During the Term of Employment, Executive shall be entitled to paid annual vacation periods and sick leave in accordance with the policies of NBTB as in effect as of the date hereof or as may be modified by NBTB from time to time, as may be applicable to officers of Executive's rank employed by NBTB or its affiliates, but in no event shall Executive be entitled to less than four weeks of paid vacation per year.

(e) Automobile. During the Term of Employment, NBT will pay a monthly automobile allowance (not to exceed \$650.00 per month.) The Executive shall apply this allowance towards the expense of ownership, lease, and/or routine maintenance of a vehicle of suitable choice.

(f) Country Club Dues. During the Term of Employment, Executive shall be eligible for a bank-paid membership at a country club mutually agreed upon by the chief executive officer of NBTB and the Executive.

(g) Withholding. All compensation to be paid to Executive hereunder shall be subject to required benefit deductions, tax withholding and other deductions required by law.

(h) Expenses. During the Term of Employment, Executive shall be reimbursed for reasonable travel and other expenses incurred or paid by Executive in connection with the performance of his services under this Agreement, upon presentation of expense statements or vouchers or such other supporting information as may from time to time be requested, in accordance with such policies of NBTB as are in effect as of the date hereof and as may be modified by NBTB from time to time, under such terms as may be applicable to officers of Executive's rank employed by NBTB or its affiliates.

4. Confidential Business Information; Non-Competition.

(a) Executive acknowledges that during the term of his employment he has been and will continue to be entrusted with, have access to and become familiar with various trade secrets and other confidential business information of NBTB, NBT Bank and/or their affiliates which have been developed and maintained at great effort and expense, have been kept protected and confidential, are of great value to NBTB, NBT Bank and/or their affiliates, and provide them with a significant competitive advantage. Such confidential information includes but is not limited to procedures, methods, sales relationships developed while in the service of NBTB, NBT Bank or their affiliates, knowledge of customers and their requirements, marketing plans, marketing information, studies, forecasts, and surveys, competitive analyses, mailing and marketing lists, new business proposals, lists of vendors, consultants, and other persons who render service or provide material to NBTB or NBT Bank or their affiliates, and compositions, ideas, plans, and methods belonging to or related to the affairs of NBTB or NBT Bank or their affiliates. In this regard, NBTB asserts proprietary rights in all of its business information and that of its affiliates except for such information as is clearly in the public domain. Notwithstanding the foregoing, information that would be generally known or available to persons skilled in Executive's fields shall be considered to be "clearly in the public domain" for the purposes of the preceding sentence. Executive agrees that he will hold in the strictest confidence and not disclose or divulge to any third party, except as may be required by his duties hereunder, by law, regulation, or order of a court or government authority, or as directed by NBTB, nor shall he use to the detriment of NBTB, NBT Bank or their affiliates or use in business or on behalf of any business competitive with or substantially similar to any business of NBTB, NBT Bank or their affiliates, any confidential business information obtained during the course of his employment by NBTB. The foregoing shall not be construed as restricting Executive from disclosing such information to the employees of NBTB, NBT Bank or their affiliates. On or before the Termination Date, Executive shall promptly deliver to NBTB all material containing NBTB's confidential information including any photocopies, extracts or summaries of it) in his possession, custody or control.

(b) Executive hereby agrees that from the Commencement Date until the first anniversary of the Termination Date, Executive will not, for any reason, directly or indirectly, either personally or on behalf of any other person or entity (whether as a director, stockholder, owner, partner, officer, consultant, principal, employee, agent or otherwise): (i) interfere with the relationship of NBTB or NBT Bank or their affiliates with any of their employees, suppliers, agents, or representatives (including, without limitation, causing or helping another business to hire any employee of NBTB or NBT Bank or their affiliates), (ii) divert or attempt to divert from NBTB, NBT Bank or their affiliates any business in which any of them has been actively engaged during the Term of Employment, nor interfere with the relationship of NBTB, NBT Bank or their affiliates with any of their customers or prospective customers, or (iii) take any action which is intended, or would reasonably be expected, to adversely affect NBTB, NBT Bank or their affiliates, their business, reputation, or their relationship with their customers or prospective customers. This paragraph 4(b) shall not, in and of itself, prohibit Executive from engaging in the banking, trust, or financial services business in any capacity, including that of an owner or employee.

(c) ***Executive acknowledges and agrees that irreparable injury will result to NBTB in the event of a breach of any of the provisions of this section 4 (the "Designated Provisions") and that NBTB will have no adequate remedy at law with respect thereto. Accordingly, in the event of a material breach of any Designated Provision, and in addition to any other legal or equitable remedy NBTB may have, NBTB shall be entitled to the entry of a preliminary and permanent injunction (including, without limitation, specific performance) by a court of competent jurisdiction in Chenango County, New York, or elsewhere, to restrain the violation or breach thereof by Executive, and Executive submits to the jurisdiction of such court in any such action.***

(d) It is the desire and intent of the parties that the provisions of this section 4 shall be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular provision of this section 4 shall be adjudicated to be invalid or unenforceable, such provision shall be deemed amended to delete therefrom the portion thus adjudicated to be invalid or unenforceable, such deletion to apply only with respect to the operation of such provision in the particular jurisdiction in which such adjudication is made. In addition, should any court determine that the provisions of this section 4 shall be unenforceable with respect to scope, duration, or geographic area, such court shall be empowered to substitute, to the extent enforceable, provisions similar hereto or other provisions so as to provide to NBTB, to the fullest extent permitted by applicable law, the benefits intended by this section 4.

5. Life Insurance. In light of the unusual abilities and experience of Executive, NBTB, NBT Bank or their affiliates, in their discretion, may apply for and procure as owner, and for their own benefit, insurance on the life of Executive, in such amount and in such form as NBTB, NBT Bank or their affiliates may choose. NBTB shall make all payments for such insurance and shall receive all benefits from it. Executive shall have no interest whatsoever in any such policy or policies but, at the request of NBTB, NBT Bank or their affiliates, shall submit to medical examinations and supply such information and execute such documents as may reasonably be required by the insurance company or companies to which NBTB, NBT Bank or their affiliates has applied for insurance.

6. Representations and Warranties.

(a) Executive represents and warrants to NBTB that his execution, delivery, and performance of this Agreement will not result in or constitute a breach of or conflict with any term, covenant, condition, or provision of any commitment, contract, or other agreement or instrument, including, without limitation, any other employment agreement, to which Executive is or has been a party.

(b) Executive shall indemnify, defend, and hold harmless NBTB for, from, and against any and all losses, claims, suits, damages, expenses, or liabilities, including court costs and counsel fees, which NBTB has incurred or to which NBTB may become subject, insofar as such losses, claims, suits, damages, expenses, liabilities, costs, or fees arise out of or are based upon any failure of any representation or warranty of Executive in section 6(a) hereof to be true and correct when made.

7. Notices. All notices, consents, waivers, or other communications which are required or permitted hereunder shall be in writing and deemed to have been duly given if delivered personally or by messenger, transmitted by telex or telegram, by express courier, or sent by registered or certified mail, return receipt requested, postage prepaid. All communications shall be addressed to the appropriate address of each party as follows:

If to NBTB:

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

Attention: Chief Executive Officer

With a required copy (which shall not constitute notice to:

Stuart G. Stein, Esq.
Hogan & Hartson L.L.P.
555 13th Street, N.W.
Washington, D.C. 20004-1109
Fax: (202) 637-5910

If to Executive:

Mr. Ronald M. Bentley
30 Springfield Drive
Vorheesville NY 12186

All such notices shall be deemed to have been given on the date delivered, transmitted, or mailed in the manner provided above.

8. Assignment. Neither party may assign this Agreement or any rights or obligations hereunder without the consent of the other party.

9. Governing Law, Jurisdiction and Venue. This Agreement shall be governed by, construed, and enforced in accordance with the laws of the State of New York, without giving effect to the principles of conflicts of law thereof. The parties hereby designate Chenango County, New York to be the proper jurisdiction and venue for any suit or action arising out of this Agreement. Each of the parties consents to personal jurisdiction in such venue for such a proceeding and agrees that it may be served with process in any action with respect to this Agreement or the transactions contemplated thereby by certified or registered mail, return receipt requested, or to its registered agent for service of process in the State of New York. Each of the parties irrevocably and unconditionally waives and agrees, to the fullest extent permitted by law, not to plead any objection that it may now or hereafter have to the laying of venue or the convenience of the forum of any action or claim with respect to this Agreement or the transactions contemplated thereby brought in the courts aforesaid.

10. Entire Agreement. This Agreement, together with the Change-in-Control Agreement, constitutes the entire understanding between NBTB, NBT Bank and their affiliates, and Executive relating to the subject matter hereof. Any previous discussions, agreements, commitments or understandings of any kind or nature between the parties hereto or between Executive and NBTB, NBT Bank or any of their affiliates, whether oral or written, regarding the subject matter hereof, including without limitation the terms and conditions of employment, compensation, benefits, retirement, competition following employment, and the like, are merged into and superseded by this Agreement. Neither this Agreement nor any provisions hereof can be modified, changed, discharged, or terminated except by an instrument in writing signed by the party against whom any waiver, change, discharge, or termination is sought.

11. Illegality; Severability.

(a) Anything in this Agreement to the contrary notwithstanding, this Agreement is not intended and shall not be construed to require any payment to Executive which would violate any federal or state statute or regulation, including without limitation the "golden parachute payment regulations" of the Federal Deposit Insurance Corporation codified to Part 359 of title 12, Code of Federal Regulations.

(b) If any provision or provisions of this Agreement shall be held to be invalid, illegal, or unenforceable for any reason whatsoever:

(i) the validity, legality, and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal, or unenforceable) shall not in any way be affected or impaired thereby; and

(ii) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provisions held to be invalid, illegal, or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal, or unenforceable.

12. Arbitration. Subject to the right of each party to seek specific performance (which right shall not be subject to arbitration), if a dispute arises out of or is in any way related to this Agreement or the asserted breach thereof, such dispute shall be referred to arbitration before the American Arbitration Association the ("AAA") pursuant to the AAA's National Rules for the Resolution of Employment Disputes (the "Arbitration Rules"). A dispute subject to the provisions of this section will exist if either party notifies the other party in writing that a dispute subject to arbitration exists and states, with reasonable specificity, the issue subject to arbitration (the "Arbitration Notice"). The parties agree that, after the issuance of the Arbitration Notice, the parties will try in good faith between the date of the issuance of the Arbitration Notice and the date the dispute is set for arbitration to resolve the dispute by mediation in accordance with the Arbitration Rules. If the dispute is not resolved by the date set for arbitration, then any controversy or claim arising out of this Agreement or the asserted breach hereof shall be resolved by binding arbitration and judgment upon any award rendered by arbitrator(s) may be entered in a court having jurisdiction. In the event any claim or dispute involves an amount in excess of \$100,000, either party may request that the matter be heard and resolved by a single arbitrator. The arbitrator shall have the same power to compel the attendance of witnesses and to order the production of documents or other materials and to enforce discovery as could be exercised by a United States District Court judge sitting in the Northern District of New York. In the event of any arbitration, each party shall have a reasonable right to conduct discovery to the same extent permitted by the Federal Rules of Civil Procedure, provided that discovery shall be concluded within 90 days after the date the matter is set for arbitration. The arbitrator or arbitrators shall have the power to award reasonable attorneys' fees to the prevailing party. Any provisions in this Agreement to the contrary notwithstanding, this section shall be governed by the Federal Arbitration Act and the parties have entered into this Agreement pursuant to such Act.

13. Costs of Litigation. In the event litigation is commenced to enforce any of the provisions hereof, or to obtain declaratory relief in connection with any of the provisions hereof, the prevailing party shall be entitled to recover reasonable attorneys' fees. In the event this Agreement is asserted in any litigation as a defense to any liability, claim, demand, action, cause of action, or right asserted in such litigation, the party prevailing on the issue of that defense shall be entitled to recovery of reasonable attorneys' fees.

14. Affiliation. A company will be deemed to be an "affiliate" of, or "affiliated" NBTB or NBT Bank according to the definition of "Affiliate" set forth in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended.

15. Headings. The section and subsection headings herein have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof.

IN WITNESS WHEREOF, the parties hereto executed or caused this Agreement to be executed as of the day and year first above written.

NBT BANCORP INC.

By: /S/ Martin A. Dietrich
Martin A. Dietrich
President/CEO of NBT Bank

By: /S/ Ronald M. Bentley
Executive

12/5/05
Dated

Exhibit 10.25

Change in control agreement with Ronald M. Bentley dated May 1, 2003.

Mr. Ronald M. Bentley
30 Springfield Drive
Voorheesville, NY 12186

Dear Mr. Bentley:

NBT Bancorp Inc. (which, together with its wholly-owned subsidiary, NBT Bank, National Association, is referred to as the "Company") considers the stability of its key management group to be essential to the best interests of the Company and its shareholders. The Company recognizes that, as is the case with many publicly-held corporations, the possibility of a change in control may arise and that the attendant uncertainty may result in the departure or distraction of key management personnel to the detriment of the Company and its shareholders.

Accordingly, the Board of Directors of the Company (the "Board") has determined that appropriate steps should be taken to encourage members of the Company's key management group to continue as employees notwithstanding the possibility of a change in control of the Company.

The Board also believes it important that, in the event of a proposal for transfer of control of the Company, you be able to assess the proposal and advise the Board without being influenced by the uncertainties of your own situation.

In order to induce you to remain in the employ of the Company, this Agreement, which has been approved by the Board, sets forth the severance compensation which the Company agrees will be provided to you in the event your employment with the Company is terminated subsequent to a "change in control" of the Company under the circumstances described below.

Agreement to Provide Services; Right to Terminate.

(a) Termination Prior to Certain Offers. Except as otherwise provided in paragraph (b) below, or in any written employment agreement between you and the Company, the Company or you may terminate your employment at any time. If, and only if, such termination occurs after a "change in control of the Company" (as defined in section 6), the provisions of this Agreement regarding the payment of severance compensation and benefits shall apply.

(b) Termination Subsequent to Certain Offers. In the event a tender offer or exchange offer is made by a "person" (as defined in section 6) for more than 30 percent of the combined voting power of the Company's outstanding securities ordinarily having the right to vote at elections of directors ("Voting Securities"), including shares of common stock, no par value, of the Company (the "Company Shares"), you agree that you will not leave the employ of the Company (other than as a result of Disability as such term is defined in section 6) and will render services to the Company in the capacity in which you then serve until such tender offer or exchange offer has been abandoned or terminated or a change in control of the Company has occurred as a result of such tender offer or exchange offer. If, during the period you are obligated to continue in the employ of the Company pursuant to this section 1(b), the Company reduces your compensation, terminates your employment without Cause, or you provide written notice of your decision to terminate your employment for Good Reason, your obligations under this section 1(b) shall thereupon terminate and you will be entitled to payments provided under Section 3(b).

2. Term of Agreement. This Agreement shall commence on the date hereof and shall continue in effect until December 31, 2005; provided, however, that commencing December 31, 2003 and each December 31 thereafter, the remaining term of this Agreement shall automatically be extended for one additional year (to a total of three years) unless at least 90 days prior to such anniversary, the Company or you shall have given notice that this Agreement shall not be extended; and provided, however, that if a change in control of the Company shall occur while this Agreement is in effect, this Agreement shall automatically be extended for 24 months from the date the change in control of the Company occurs. This Agreement shall terminate if you or the Company terminates your employment prior to a change in control of the Company but without prejudice to any remedy the Company may have for breach of your obligations, if any, under section 1 (b).

3. Severance Payment and Benefits If Termination Occurs Following Change in Control for Disability, Without Cause, With Good Reason or Without Good Reason within 12 Months of the Change. If, (1) within 24 months from the date of occurrence of any event constituting a change in control of the Company (it being recognized that more than one such event may occur in which case the 24-month period shall run from the date of occurrence of each such event), your employment with the Company is terminated (i) by the Company for Disability, (ii) by the Company without Cause, or (iii) by you with Good Reason (as defined in section 6), or (II) within 12 months from the date of occurrence of any event constituting a change in control of the Company (it being recognized that more than one such event may occur in which case the 12-month period shall run from the date of occurrence of each such event) you terminate your employment either with or without Good Reason, you shall be entitled to a severance payment and other benefits as follows:

(a) Disability. If your employment with the Company is terminated for Disability, your benefits shall thereafter be determined in accordance with the Company's long-term disability income insurance plan. If the Company's long-term disability income insurance plan is modified or terminated following a change in control, the Company shall substitute such a plan with benefits applicable to you substantially similar to those provided by such plan prior to its modification or termination. During any period that you fail to perform your duties hereunder as a result of incapacity due to physical or mental illness, you shall continue to receive your full base salary at the rate then in effect until your employment is terminated by the Company for Disability.

(b) Termination Without Cause or With Good Reason or Within 12 Months of Change in Control. If your employment with the Company is terminated without Cause by the Company or with Good Reason by you, or by you within 12 months of a change in control of the Company without Good Reason, then the Company shall pay to you, upon demand, the following amounts (net of applicable payroll taxes):

(i) Your full base salary through the Date of Termination at the rate in effect on the date the change in control of the Company occurs plus year-to-date accrued vacation.

(ii) As severance pay, an amount equal to the product of 2.00 multiplied by the greater of (A) the sum of your annualized salary for the calendar year in which the change in control of the Company occurs, the maximum target bonus that could have been paid to you for such year if all applicable targets and objectives had been achieved, or if no formal bonus program is in effect, the largest bonus amount paid to you during any one of the three preceding calendar years, your income from the exercise of nonqualified options during such year, your compensation income from any disqualifying disposition during such year of stock acquired pursuant to the exercise of incentive stock options and other annualized amounts that constitute taxable income to you from the Company for such year, without reduction for salary reduction amounts excludible from income under Section 402(e)(3) or 125 of the Internal Revenue Code of 1986, as amended (the "Code"), or (B) your average "Compensation" (as defined below) for the three calendar years preceding the calendar year in which the change in control of the Company occurs. As used in this subsection 3(b)(ii) your "Compensation" shall mean your base salary, bonus, income from the exercise of nonqualified options, compensation income from any disqualifying disposition of stock acquired pursuant to the exercise of incentive stock options and any other amounts that constitute taxable income to you from the Company, without reduction for salary reduction amounts excludible from income under Section 402(e)(3) or 125 of the Code.

(c) Related Benefits. Unless you die or your employment is terminated by the Company for Cause or Disability, or by you other than for Good Reason and not within 12 months after a change in control of the Company, the Company shall maintain in full force and effect, for your continued benefit and, if applicable, for the continued benefit of your spouse and family, for three years after the Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, all noncash employee benefit plans, programs, or arrangements (including, without limitation, pension and retirement plans and arrangements, stock option plans, life insurance and health and accident plans and arrangements, medical insurance plans, disability plans, and vacation plans) in which you were entitled to participate immediately prior to the Date of Termination, as in effect at the Date of Termination, or, if more favorable to you and, if applicable, your spouse and family, as in effect generally at any time thereafter with respect to executive employees of the Company or any successor; provided that your continued participation is possible after Termination under the general terms and provisions of such plans, programs, and arrangements; provided, however, that if you become eligible to participate in a benefit plan, program, or arrangement of another employer which confers substantially similar benefits upon you, you shall cease to receive benefits under this subsection in respect of such plan, program, or arrangement. In the event that your participation in any such plan, program, or arrangement is not possible after Termination under the general terms and provisions of such plans, programs, and arrangements, the Company shall arrange to provide you with benefits substantially similar to those which you are entitled to receive under such plans, programs and arrangements or alternatively, pay an amount equal to the reasonable value of such substantially similar benefits. If, after termination of employment following a change in control of the Company, you elect or, if applicable, your spouse or family elects, COBRA continuation coverage, the Company will pay the applicable COBRA premium for the maximum period during which such coverage is available. If termination follows a change in control of the Company specified in Section 6(b)(111), then you and, if applicable, your spouse and family may elect in lieu of COBRA continuation coverage to have the acquiring entity obtain an individual or group health insurance coverage and the acquiring entity will pay premiums thereunder for the maximum period during which you and, if applicable, your spouse and family could have elected to receive COBRA continuation coverage.

(d) Establishment of Trust. Within five days following conclusion of a change in control of the Company, the Company shall establish a trust that conforms in all regards with the model trust published in Revenue Procedure 92-64 and deposit an amount sufficient to satisfy all liabilities of the Company under Section 3(b) of this Agreement.

(e) Automatic Extension. Notwithstanding the prior provisions of this Section, if an individual is elected to the Board of Directors who has not been nominated by the Board of Directors as constituted prior to his election, then the term of this Agreement will automatically be extended until two years from the date on which such individual was elected if such extended termination date is later than the normal termination date of this Agreement, otherwise, the termination date of this Agreement will be as provided above. This extension will take effect only upon the first instance of an individual being elected to the Board of Directors without having been nominated by the original Board.

(f) Alternative to Lump Sum Payout. The amount described in this subsection will be paid to you in a single lump-sum unless, at least 30 days before the conclusion of a change in control of the Company, you elect in writing to receive the severance pay in 3 equal annual payments with the first payment to be made within 30 days of demand and the subsequent payments to be made by January 31st of each year subsequent to the year in which the first payment is made, provided that under no circumstances will two payments be made during a single tax year of the recipient.

4. Payment If Termination Occurs Following Change in Control, Because of Death For Cause, or Without Good Reason and not within 12 Months of the Change in Control. If your employment shall be terminated following any event constituting a change in control of the Company because of your death, or by the Company for Cause, or by you other than for Good Reason and not within 12 months after a change in control of the Company, the Company shall pay you your full base salary through the Date of Termination at the rate in effect on the date the change in control of the Company occurs plus year-to-date accrued vacation. The Company shall have no further obligations to you under this Agreement.

5. No Mitigation. You shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor, except as expressly set forth herein, shall the amount of any payment provided for in this Agreement be reduced by any compensation earned by you as the result of employment by another employer after the Date of Termination, or otherwise.

6. Definitions of Certain Terms. For the purpose of this Agreement, the terms defined in this section 6 shall have the meanings assigned to them herein.

(a) Cause. Termination of your employment by the Company for "Cause" shall mean termination because, and only because, you committed an act of fraud, embezzlement, or theft constituting a felony or an act intentionally against the interests of the Company which causes the Company material injury. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for the purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct constituting Cause as defined above and specifying the particulars thereof in detail.

(b) Change in Control of the Company. A "change in control of the Company" shall mean:

(i) A change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A as in effect on the date hereof pursuant to the Securities Exchange Act of 1934 (the "Exchange Act"); provided that, without limitation, such a change in control shall be deemed to have occurred at such time as any Person hereafter becomes the "Beneficial Owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 30 percent or more of the combined voting power of the Company's Voting Securities; or

(ii) During any period of two consecutive years, individuals who at the beginning of such period constitute the Board cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election by the Company's shareholders, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period; or

(iii) There shall be consummated (x) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which Voting Securities would be converted into cash, securities, or other property, other than a merger of the Company in which the holders of Voting Securities immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, or (y) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all, or substantially all of the assets of the Company, provided that any such consolidation, merger, sale, lease, exchange or other transfer consummated at the insistence of an appropriate banking regulatory agency shall not constitute a change in control of the Company; or

(iv) Approval by the shareholders of the Company of any plan or proposal for the liquidation or dissolution of the Company.

(c) Date of Termination. "Date of Termination" shall mean (1) if your employment is terminated by the Company for Disability, 30 days after Notice of Termination is given (provided that you shall not have returned to the performance of your duties on a full-time basis during such 30-day period), and (ii) if your employment is terminated for any other reason, the date on which a Notice of Termination is given; provided that if within 30 days after any Notice of Termination is given the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the termination, the Date of Termination shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties or by a final judgment, order, or decree of a court of competent jurisdiction (the time for appeal therefrom having expired and no appeal having been perfected). The term of this Agreement shall be extended until the Date of Termination.

(d) Disability- Termination of your employment by the Company for "Disability" shall mean termination because of your absence from your duties with the Company on a full-time basis for 180 consecutive days as a result of your incapacity due to physical or mental illness and your failure to return to the performance of your duties on a full-time basis during the 30-day period after Notice of Termination is given.

(e) Good Reason. Termination by you of your employment for "Good Reason" shall mean termination based on any of the following:

(i) A change in your status or position(s) with the Company, which in your reasonable judgment, does not represent a promotion from your status or positions) as in effect immediately prior to the change in control of the Company, or a change in your duties or responsibilities which, in your reasonable judgment, is inconsistent with such status or position(s), or any removal of you from, or any failure to reappoint or reelect you to, such position(s), except in connection with the termination of your employment for Cause or Disability or as a result of your death or by you other than for Good Reason.

(ii) A reduction by the Company in your base salary as in effect immediately prior to the change in control of the Company.

(iii) The failure by the Company to continue in effect any Plan (as hereinafter defined) in which you are participating at the time of the change in control of the Company (or Plans providing you with at least substantially similar benefits) other than as a result of the normal expiration of any such Plan in accordance with its terms as in effect at the time of the change in control of the Company, or the taking of any action, or the failure to act, by the Company which would adversely affect your continued participation in any of such Plans on at least as favorable a basis to you as is the case on the date of the change in control of the Company or which would materially reduce your benefits in the future under any of such Plans or deprive you of any material benefit enjoyed by you at the time of the change in control of the Company.

(iv) The failure by the Company to provide and credit you with the number of paid vacation days to which you are then entitled in accordance with the Company's normal vacation policy as in effect immediately prior to the change in control of the Company.

(v) The Company's requiring you to be based anywhere other than where your office is located immediately prior to the change in control of the Company except for required travel on the Company's business to an extent substantially consistent with the business travel obligations which you undertook on behalf of the Company prior to the change in control of the Company.

(vi) The failure by the Company to obtain from any successor the assent to this Agreement contemplated by section 8 hereof.

(vii) Any purported termination by the Company of your employment which is not effected pursuant to a Notice of Termination satisfying the requirements of this Agreement; and for purposes of this Agreement, no such purported termination shall be effective.

(viii) Any refusal by the Company to continue to allow you to attend to matters or engage in activities not directly related to the business of the Company which, prior to the change in control of the Company, you were permitted by the Board to attend to or engage in.

For purposes of this subsection, "Plan" shall mean any compensation plan such as an incentive or stock option plan or any employee benefit plan such as a thrift, pension, profit sharing, medical, disability, accident, life insurance plan, or a relocation plan or policy or any other plan, program, or policy of the Company intended to benefit employees.

(f) Notice of Termination. A "Notice of Termination" of your employment given by the Company shall mean a written notice given to you of the termination of your employment which shall indicate the specific termination provision in this Agreement relied upon, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

(g) Person. The term "Person" shall mean and include any individual, corporation, partnership, group, association, or other "person," as such term is used in section 14(d) of the Exchange Act, other than the Company or any employee benefit plan(s) sponsored by the Company.

7. Notice. For the purposes of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Chief Executive Officer of the Company with a copy to the Secretary of the Company, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

8. Successors; Binding Agreement.

(a) This Agreement shall inure to the benefit of, and be binding upon, any corporate or other successor or assignee of the Company which shall acquire, directly or indirectly, by merger, consolidation or purchase, or otherwise, all or substantially all of the business or assets of the Company. The Company shall require any such successor, by an agreement in form and substance satisfactory to you, expressly to assume and agree to perform this Agreement in the same manner and to the same extent as the Company would be required to perform if no such succession had taken place.

(b) This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If you should die while any amount would still be payable to you hereunder if you had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your devisee, legatee, or other designee or, if there is no such designee, to your estate.

9. Maximization of After-Tax Amounts. Notwithstanding any other provision of this Agreement, and notwithstanding any other agreement or formal or informal compensation plan or arrangement, if you are a "disqualified individual," as defined in Section 280G(c) of the Internal Revenue Code of 1986, as amended (the "Code"), your right to receive any payment or benefit under this Agreement shall be limited to the extent that: (i) such payment or benefit, taking into account any other "payment in the nature of compensation" (within the meaning of Section 280G of the Code) to you or for your benefit ("Compensation"), would cause any payment or benefit under this Agreement to be considered a "parachute payment" within the meaning of Section 280G(b)(2) of the Code as then in effect (a "Parachute Payment") and (ii) as a result of receiving a Parachute Payment, the aggregate after-tax amount you would receive (under this Agreement and otherwise) would be less than the maximum after-tax amount that you could receive without causing any such payment or benefit to be considered a Parachute Payment. In the event that the receipt of any such payment or benefit under this Agreement, in conjunction with your other Compensation, would cause you to be considered to have received a Parachute Payment that would have the effect of decreasing the after-tax amount received by you as described in clause (ii) of the preceding sentence, then you shall have the right, in your sole discretion, to designate any payments or benefits under this Agreement, and any other Compensation, that shall be reduced or eliminated so as to avoid having the payment or benefit to you under this Agreement be deemed to be a Parachute Payment.

10. Miscellaneous. No provision of this Agreement may be modified, waived, or discharged unless such modification, waiver, or discharge is agreed to in a writing signed by you and the Chief Executive Officer or President of the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or of compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same, or at any prior or subsequent, time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction, and performance of this Agreement shall be governed by laws of the State of New York without giving effect to the principles of conflict of laws thereof.

11. Legal Fees and Expenses. The Company shall pay or reimburse any reasonable legal fees and expenses you may incur in connection with any legal action to enforce your rights under, or to defend the validity of, this Agreement. The Company will pay or reimburse such legal fees and expenses on a regular, periodic basis upon presentation by you of a statement or statements prepared by your counsel in accordance with its usual practices.

12. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

13. Payments During Controversy. Notwithstanding the pendency of any dispute or controversy, the Company will continue to pay you your full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, base salary and installments of incentive compensation) and continue you as a participant in all compensation, benefit, and insurance plans in which you were participating when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with section 7(c). Amounts paid under this section are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement. You shall be entitled to seek specific performance of your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

14. Illegality. Anything in this Agreement to the contrary notwithstanding, this Agreement is not intended and shall not be construed to require any payment to you which would violate any federal or state statute or regulation, including without limitation the "golden parachute payment regulations" of the Federal Deposit Insurance Corporation codified to Part 359 of title 12, Code of Federal Regulations.

If this letter correctly sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter, which will then constitute our agreement on this subject.

Very truly yours,

NBT BANCORP INC.

By: /S/ Daryl R. Forsythe

Agreed To:

/S/ Ronald M. Bentley

Ronald M. Bentley

Exhibit 10.26
Description of Arrangements for Directors Fees

Description of Arrangement for Directors Fees

Except as set forth below, the following sets forth the amount of fees payable to outside directors of NBT Bancorp for their services as Directors in fiscal year 2006:

<u>Event</u>	<u>Fee</u>
Annual retainer	Cash - \$5,000 Restricted Stock - \$10,000
Board meeting attended	\$900 per meeting
Telephonic board meeting	\$900 per meeting
Committee meeting attended	Chairman \$900, Member \$600
Telephonic committee meeting	Chairman \$900, Member \$600
Deferred common stock	400 Shares
Common stock options	1,000 shares multiplied by the number of board meetings attended in the prior year and divided by the number of meetings held in the prior year.
Special meeting held with committee member representative at the request of management	\$900 per meeting

The Chairman of the Board's annual stock retainer is \$50,000 (in the form of unrestricted stock), his annual stock option award is 5,000 multiplied by the number of board meetings attended during the year and divided by the number of meetings held and he receives \$1,000 for each board and committee meeting attended.

Exhibit 21
List of the subsidiaries of the Registrant

SUBSIDIARIES OF THE REGISTRANT

NBT BANCORP INC. has the following subsidiaries, which are wholly owned:

NBT Bank, National Association
52 South Broad Street
Norwich, New York 13815

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

CNBF Capital Trust 1
24 Church Street
Canajoharie, New York 13317

NBT Statutory Trust I
52 South Broad Street
Norwich, New York 13815

NBT Statutory Trust II
52 South Broad Street
Norwich, New York 13815

Hathaway Agency, Inc.
7 Church Street
Gloversville, New York 12078

EXHIBIT 23

Consent of KPMG LLP

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
NBT Bancorp Inc.:

We consent to incorporation by reference in the Registration Statements on Form S-3 (File No. 33-12247) and Forms S-8 (File Nos. 333-71830, 333-73038, 333-66472, 333-97995, 333-72772, 333-107479, 333-107480 and 333-127098) of NBT Bancorp Inc. of our report dated March 6, 2006, with respect to the consolidated balance sheets of NBT Bancorp Inc. and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in stockholders' equity, cash flows and comprehensive income for each of the years in the three-year period ended December 31, 2005, management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2005 and the effectiveness of internal control over financial reporting as of December 31, 2005, which reports appear in the December 31, 2005 annual report on Form 10-K of NBT Bancorp Inc..

KPMG LLP
Albany, New York
March 14, 2006

CERTIFICATION - Rule 13a-14(a) Certification of Chief Executive Officer

I, Martin A. Dietrich, certify that:

1. I have reviewed this annual report on Form 10-K of NBT Bancorp Inc.
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls or procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operations of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

Date:	March 14, 2006
	/S/ Martin A. Dietrich

Martin A. Dietrich
Chief Executive Officer

CERTIFICATION - Rule 13a-14(a) Certification of Chief Financial Officer

I, Michael J. Chewens, certify that:

1. I have reviewed this annual report on Form 10-K of NBT Bancorp Inc.
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls or procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operations of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

Date:	March 14, 2006
	/S/ Michael J. Chewens

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

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION

906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, the Chief Executive Officer of NBT Bancorp Inc. (the “Company”), hereby certifies that to his knowledge on the date hereof:

- (a) the Form 10-K of the Company for the Annual Period Ended December 31, 2005, filed on the date hereof with the Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ Martin A. Dietrich

Martin A. Dietrich

Chief Executive Officer

March 14, 2006

The forgoing certification is being furnished solely pursuant to Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code in accordance with Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION

906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, the Chief Financial Officer of NBT Bancorp Inc. (the “Company”), hereby certifies that to his knowledge on the date hereof:

- (a) the Form 10-K of the Company for the Annual Period Ended December 31, 2005, filed on the date hereof with the Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ Michael J. Chewens

Michael J. Chewens

Senior Executive Vice President, Chief Financial Officer and Corporate Secretary

March 14, 2006

The forgoing certification is being furnished solely pursuant to Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code in accordance with Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.
