

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2009.

OR

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 of Incorporation)

16-1268674
(I.R.S. Employer Identification No.)

52 SOUTH BROAD STREET, NORWICH, NEW YORK 13815
(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, Including Area Code: **(607) 337-2265**

None

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

As of October 31, 2009, there were 34,338,364 shares outstanding of the Registrant's common stock, \$0.01 par value per share.

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NBT Bancorp Inc. and Subsidiaries
Consolidated Balance Sheets (unaudited)

(In thousands, except share and per share data)	September 30, 2009	December 31, 2008
Assets		
Cash and due from banks	\$ 127,001	\$ 107,409
Short-term interest bearing accounts	118,224	2,987
Securities available for sale, at fair value	1,132,423	1,119,665
Securities held to maturity (fair value \$170,851 and \$141,308, respectively)	168,658	140,209
Trading securities	2,263	1,407
Federal Reserve and Federal Home Loan Bank stock	37,103	39,045
Loans and leases	3,615,890	3,651,911
Less allowance for loan and lease losses	64,650	58,564
Net loans and leases	3,551,240	3,593,347
Premises and equipment, net	65,652	65,241
Goodwill	114,942	114,838
Intangible assets, net	21,371	23,367
Bank owned life insurance	73,430	72,276
Other assets	72,080	56,297
Total assets	<u>\$ 5,484,387</u>	<u>\$ 5,336,088</u>
Liabilities		
Demand (noninterest bearing)	\$ 744,383	\$ 685,495
Savings, NOW, and money market	2,204,456	1,885,551
Time	1,155,634	1,352,212
Total deposits	4,104,473	3,923,258
Short-term borrowings	147,792	206,492
Long-term debt	579,712	632,209
Trust preferred debentures	75,422	75,422
Other liabilities	79,446	66,862
Total liabilities	<u>4,986,845</u>	<u>4,904,243</u>
Stockholders' equity		
Preferred stock, \$0.01 par value. Authorized 2,500,000 shares at September 30, 2009 and December 31, 2008	-	-
Common stock, \$0.01 par value. Authorized 50,000,000 shares at September 30, 2009 and December 31, 2008; issued 38,035,574 and 36,459,344 at September 30, 2009 and December 31, 2008, respectively	380	365
Additional paid-in-capital	310,435	276,418
Retained earnings	263,300	245,340
Accumulated other comprehensive income (loss)	2,335	(8,204)
Common stock in treasury, at cost, 3,701,456 and 3,853,548 shares at September 30, 2009 and December 31, 2008, respectively	(78,908)	(82,074)
Total stockholders' equity	<u>497,542</u>	<u>431,845</u>
Total liabilities and stockholders' equity	<u>\$ 5,484,387</u>	<u>\$ 5,336,088</u>

See accompanying notes to unaudited interim consolidated financial statements.

NBT Bancorp Inc. and Subsidiaries Consolidated Statements of Income (unaudited)	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
<i>(In thousands, except per share data)</i>				
Interest, fee, and dividend income				
Interest and fees on loans and leases	\$ 54,666	\$ 58,154	\$ 164,963	\$ 173,991
Securities available for sale	11,116	13,451	35,162	40,614
Securities held to maturity	1,239	1,343	3,682	4,335
Other	615	673	1,582	2,187
Total interest, fee, and dividend income	67,636	73,621	205,389	221,127
Interest expense				
Deposits	12,002	18,351	38,964	59,761
Short-term borrowings	142	763	413	4,465
Long-term debt	5,761	6,310	17,956	16,241
Trust preferred debentures	1,049	1,154	3,211	3,547
Total interest expense	18,954	26,578	60,544	84,014
Net interest income	48,682	47,043	144,845	137,113
Provision for loan and lease losses	9,101	7,179	24,751	19,460
Net interest income after provision for loan and lease losses	39,581	39,864	120,094	117,653
Noninterest income				
Service charges on deposit accounts	7,110	7,414	20,357	20,877
Insurance and broker/ dealer revenue	4,368	2,338	13,926	4,811
Trust	1,668	1,720	4,838	5,593
Net securities gains	129	1,510	146	1,543
Bank owned life insurance	683	923	2,225	2,438
ATM fees	2,443	2,334	6,993	6,656
Retirement plan administration fees	2,412	1,461	6,347	4,840
Other	2,037	1,262	5,453	4,718
Total noninterest income	20,850	18,962	60,285	51,476
Noninterest expense				
Salaries and employee benefits	21,272	16,850	62,646	50,526
Occupancy	3,481	3,359	11,256	10,396
Equipment	1,997	1,908	6,024	5,595
Data processing and communications	3,305	3,155	9,924	9,440
Professional fees and outside services	2,691	2,205	7,820	7,825
Office supplies and postage	1,426	1,322	4,385	3,992
Amortization of intangible assets	827	462	2,465	1,231
Loan collection and other real estate owned	755	505	2,177	1,802
Impairment on lease residual assets	-	2,000	-	2,000
FDIC insurance	1,535	614	7,096	986
Other	3,743	4,678	11,483	12,722
Total noninterest expense	41,032	37,058	125,276	106,515
Income before income tax expense	19,399	21,768	55,103	62,614
Income tax expense	5,821	6,685	16,893	19,158
Net income	\$ 13,578	\$ 15,083	\$ 38,210	\$ 43,456
Earnings per share				
Basic	\$ 0.40	\$ 0.47	\$ 1.14	\$ 1.36
Diluted	\$ 0.40	\$ 0.46	\$ 1.13	\$ 1.34

See accompanying notes to unaudited interim consolidated financial statements.

NBT Bancorp Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity (unaudited)

	Common Stock	Additional Paid-in- Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Common Stock in Treasury	Total
(in thousands, except share and per share data)						
Balance at December 31, 2007	\$ 365	\$ 273,275	\$ 215,031	\$ (3,575)	\$ (87,796)	\$ 397,300
Cumulative effect adjustment to record liability for split-dollar life insurance policies			(1,518)			(1,518)
Net income			43,456			43,456
Cash dividends - \$0.60 per share			(19,314)			(19,314)
Purchase of 272,840 treasury shares					(5,939)	(5,939)
Net issuance of 461,219 shares to employee benefit plans and other stock plans, including tax benefit		845	(502)		9,768	10,111
Stock-based compensation		1,540				1,540
Net issuance of 25,200 shares of restricted stock awards		(557)			526	(31)
Forfeiture of 8,567 shares of restricted stock		193			(193)	-
Other comprehensive loss				(4,477)		(4,477)
Balance at September 30, 2008	\$ 365	\$ 275,296	\$ 237,153	\$ (8,052)	\$ (83,634)	\$ 421,128
Balance at December 31, 2008	\$ 365	\$ 276,418	\$ 245,340	\$ (8,204)	\$ (82,074)	\$ 431,845
Net income			38,210			38,210
Cash dividends - \$0.60 per share			(20,250)			(20,250)
Net issuance of 1,576,230 common shares	15	33,522			-	33,537
Net issuance of 96,225 shares to employee benefit plans and other stock plans, including tax benefit		(546)			2,025	1,479
Stock-based compensation		2,359				2,359
Net issuance of 59,717 shares of restricted stock awards		(1,406)			1,229	(177)
Forfeiture of 3,850 shares of restricted stock		88			(88)	-
Other comprehensive income				10,539		10,539
Balance at September 30, 2009	\$ 380	\$ 310,435	\$ 263,300	\$ 2,335	\$ (78,908)	\$ 497,542

See accompanying notes to unaudited interim consolidated financial statements.

Nine Months Ended September
30,

NBT Bancorp Inc. and Subsidiaries

Consolidated Statements of Cash Flows (unaudited)

(In thousands, except per share data)

Operating activities

	2009	2008
Net income	\$ 38,210	\$ 43,456
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for loan and lease losses	24,751	19,460
Depreciation and amortization of premises and equipment	4,016	3,886
Net amortization on securities	363	317
Amortization of intangible assets	2,465	1,231
Stock based compensation	2,359	1,540
Bank owned life insurance income	(2,225)	(2,438)
Purchases of trading securities	(497)	(266)
Unrealized (gains) losses in trading securities	(359)	242
Proceeds from sales of loans held for sale	111,042	20,992
Originations of loans held for sale	(113,493)	(20,608)
Net gains on sales of loans held for sale	(764)	(125)
Net security gains	(146)	(1,543)
Net gain on sales of other real estate owned	(138)	(214)
Impairment on lease residual assets	-	2,000
Net increase in other assets	(13,685)	(1,341)
Net increase (decrease) in other liabilities	7,629	(1,240)
Net cash provided by operating activities	59,528	65,349

Investing activities

Securities available for sale:

Proceeds from maturities, calls, and principal paydowns	343,117	312,286
Proceeds from sales	2,753	1,140
Purchases	(343,276)	(288,104)

Securities held to maturity:

Proceeds from maturities, calls, and principal paydowns	69,240	64,117
Purchases	(97,764)	(65,046)
Net decrease (increase) in loans	17,438	(172,374)
Net decrease (increase) in Federal Reserve and FHLB stock	1,942	(1,020)
Net cash used in Mang Insurance Agency, LLC acquisition	-	(25,873)
Cash received from death benefit	1,054	-
Purchases of premises and equipment	(4,427)	(4,665)
Proceeds from sales of other real estate owned	617	724
Net cash used in investing activities	(9,306)	(178,815)

Financing activities

Net increase in deposits	181,215	118,701
Net decrease in short-term borrowings	(58,700)	(217,990)
Proceeds from issuance of long-term debt	-	340,021
Repayments of long-term debt	(52,497)	(131,446)
Excess tax benefit from exercise of stock options	144	800
Proceeds from the issuance of shares to employee benefit plans and other stock plans	1,158	9,280
Issuance of common stock	33,537	-
Purchases of treasury stock	-	(5,939)
Cash dividends and payment for fractional shares	(20,250)	(19,314)
Net cash provided by financing activities	84,607	94,113
Net increase (decrease) in cash and cash equivalents	134,829	(19,353)
Cash and cash equivalents at beginning of period	110,396	162,946
Cash and cash equivalents at end of period	\$ 245,225	\$ 143,593

Supplemental disclosure of cash flow information

Cash paid during the period for:

Interest	\$ 62,269	\$ 87,534
Income taxes paid	10,521	11,463

Noncash investing activities:

Loans transferred to OREO	\$ 3,133	\$ 805
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Acquisitions:

Fair value of assets acquired	\$ -	\$ 28,875
Fair value of liabilities assumed	-	3,002

See accompanying notes to unaudited interim consolidated financial statements.

Consolidated Statements of Comprehensive Income (unaudited)	Three months ended		Nine months ended	
	September 30,		September 30,	
(In thousands)	2009	2008	2009	2008
Net income	\$ 13,578	\$ 15,083	\$ 38,210	\$ 43,456
Other comprehensive income (loss), net of tax				
Unrealized net holding gains (losses) arising during the period (pre-tax amounts of \$11,390, \$802, \$15,640, and (\$5,576))	6,875	480	9,442	(3,711)
Reclassification adjustment for net gains related to securities available for sale included in net income (pre-tax amounts of (\$129), (\$1,510), (\$146), and (\$1,543))	(77)	(908)	(88)	(928)
Pension and other benefits:				
Amortization of prior service cost and actuarial gains (pre-tax amounts of \$658, \$90, \$1,974, and \$270)	395	54	1,185	162
Total other comprehensive income (loss)	7,193	(374)	10,539	(4,477)
Comprehensive income	\$ 20,771	\$ 14,709	\$ 48,749	\$ 38,979

See accompanying notes to unaudited interim consolidated financial statements

NBT BANCORP INC. and Subsidiaries
NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2009

Note 1. Description of Business

NBT Bancorp Inc. (the "Registrant") is a registered financial holding company incorporated in the State of Delaware in 1986, with its principal headquarters located in Norwich, New York. The Registrant is the parent holding company of NBT Bank, N.A. (the "Bank"), NBT Financial Services, Inc. ("NBT Financial"), NBT Holdings, Inc. ("NBT Holdings"), CNBF Capital Trust I, NBT Statutory Trust I and NBT Statutory Trust II (the "Trusts"). Through the Bank and NBT Financial, the Company is focused on community banking operations and other financial services. Through NBT Holdings, the Company operates Mang Insurance Agency, LLC ("Mang"), a full-service insurance agency. 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 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, NBT Financial, and NBT Holdings.

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 upstate New York, northeastern Pennsylvania, and northwestern Vermont market areas.

Note 2. Basis of Presentation

The accompanying unaudited interim consolidated financial statements include the accounts of the Registrant and its wholly owned subsidiaries, the Bank, NBT Financial and NBT Holdings. Collectively, the Registrant and its subsidiaries are referred to herein as "the Company." All intercompany transactions have been eliminated in consolidation. Amounts in the prior period financial statements are reclassified whenever necessary to conform to current period presentation. The Company has evaluated subsequent events for potential recognition and/or disclosure through November 9, 2009, the date the condensed consolidated financial statements included in the Quarterly Report on Form 10-Q were issued.

Note 3. New Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 166, "Accounting for Transfers of Financial Assets," or SFAS No. 166. This Statement removes the concept of a qualifying special-purpose entity, creates more stringent conditions for reporting a transfer of a portion of financial assets as a sale, clarifies other sale-accounting criteria and changes the initial measurement of a transferor and interest in transferred financial assets.

Enhanced disclosures are required to provide financial statement users with greater transparency about transfers of financial assets and a transferor's continuing involvement with transferred financial assets for interim and annual reporting periods. This Statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2009 and for interim and annual reporting periods thereafter. Earlier application is prohibited. Adoption of SFAS No. 166 is not expected to have a material impact on our financial condition or results of operations.

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)," or SFAS No. 167. This Statement changes the approach to determining a variable interest entity's ("VIE") primary beneficiary (the reporting entity that must consolidate the VIE) and requires companies to more frequently reassess whether they must consolidate VIE's. Enhanced disclosures are required for any enterprise that holds a variable interest in a variable interest entity. It is possible that application of this revised guidance will change an enterprise's assessment of which entities with which it is involved are variable interest entities. This Statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2009 and for interim and annual reporting periods thereafter. Earlier application is prohibited. The Company is assessing if the adoption of SFAS No. 167 will have a material impact on our financial condition or results of operations.

In June 2009, the FASB issued SFAS No. 168, “The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles (“GAAP”)—a replacement of FASB Statement No. 162”, or SFAS No. 168. On the effective date of this standard, Accounting Standards Codification (ASC) will become the source of authoritative U.S. accounting and reporting standards for nongovernmental entities, in addition to guidance issued by the Securities and Exchange Commission (SEC). FASB ASC significantly changes the way financial statement preparers, auditors, and academics perform accounting research. This statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009. This new standard flattens the GAAP hierarchy to two levels: one that is authoritative (in FASB ASC) and one that is nonauthoritative (not in FASB ASC). Adoption of SFAS No. 168 did not have an impact on our financial condition or results of operations, however will affect technical accounting references in future filings.

Note 4. Use of Estimates

Preparing financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period, as well as the disclosures provided. Actual results could differ from those estimates. Estimates associated with the allowance for loan and lease losses, other real estate owned (“OREO”), income taxes, pension expense, fair values of lease residual assets, fair values of financial instruments and status of contingencies are particularly susceptible to material change in the near term.

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 and national 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 loans. 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.

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 value of the assets received, less estimated selling costs, is charged to the allowance for loan and lease 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 U.S. GAAP.

Income taxes are accounted for under the asset and liability method. The Company files consolidated tax returns on the accrual basis. Deferred income taxes are recognized for the future tax consequences and benefits 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. 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 September 30, 2009 or December 31, 2008. The effect of a change in tax rates on deferred taxes is recognized in income in the period that includes the enactment date. Uncertain tax positions are recognized only when it is more likely than not (likelihood of greater than 50%), based on technical merits, that the position would be sustained upon examination by taxing authorities. Tax positions that meet the more than likely than not threshold are measured using a probability-weighted approach as the largest amount of tax benefit that is greater than 50% likely of being realized upon settlement.

Management is required to make various assumptions in valuing its pension assets and liabilities. These assumptions include the expected long-term 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 assumptions used to compute pension expense. The Company also considers relevant indices and market interest rates in selecting an appropriate discount rate. A cash flow analysis for expected benefit payments from the plan is performed each year to also assist in selecting the discount rate. In addition, the Company reviews expected inflationary and merit increases to compensation in determining the expected rate of increase in future compensation levels.

One of the most significant estimates associated with leasing operations is the estimated residual value of leased vehicles expected at the termination of the lease. A lease receivable asset, when established, includes the estimated residual value of the leased vehicle at the termination of the lease. Management is required to make various assumptions to estimate the fair value of the vehicle lease residual assets. If it is determined that there has been a decline in the estimated fair value of the residual that is judged by management to be other-than-temporary, an impairment charge would be recognized and recorded with other noninterest expenses in the consolidated statements of income.

Note 5. Commitments and Contingencies

The Company is a party to financial instruments in the normal course of business to meet financing needs of its customers and to reduce its own exposure to fluctuating interest rates. These financial instruments include commitments to extend credit, unused lines of credit, and standby letters of credit. Exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to make loans and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policy to make such commitments as it uses for on-balance-sheet items. Commitments to extend credit and unused lines of credit totaled \$580.8 million at September 30, 2009 and \$537.6 million at December 31, 2008. Since commitments to extend credit and unused lines of credit may expire without being fully drawn upon, this amount does not necessarily represent future cash commitments. Collateral obtained upon exercise of the commitment is determined using management's credit evaluation of the borrower and may include accounts receivable, inventory, property, land and other items.

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 credit 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 guidelines, portfolio maintenance and management procedures as 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 commitments. Standby letters of credit totaled \$33.8 million at September 30, 2009 and \$27.6 million at December 31, 2008. As of September 30, 2009, the fair value of standby letters of credit was not significant to the Company's consolidated financial statements.

Note 6. Earnings Per Share

Basic earnings per share 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 earnings per share 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).

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

Three months ended September 30,	2009	2008
(in thousands, except per share data)		
Basic EPS:		
Weighted average common shares outstanding	34,119	32,137
Net income available to common shareholders	13,578	15,083
Basic EPS	\$ 0.40	\$ 0.47
Diluted EPS:		
Weighted average common shares outstanding	34,119	32,137
Dilutive effect of common stock options and restricted stock	223	316
Weighted average common shares and common share equivalents	34,342	32,453
Net income available to common shareholders	13,578	15,083
Diluted EPS	\$ 0.40	\$ 0.46

Nine months ended September 30,	2009	2008
(in thousands, except per share data)		
Basic EPS:		
Weighted average common shares outstanding	33,573	32,060
Net income available to common shareholders	38,210	43,456
Basic EPS	\$ 1.14	\$ 1.36
Diluted EPS:		
Weighted average common shares outstanding	33,573	32,060
Dilutive effect of common stock options and restricted stock	208	255
Weighted average common shares and common share equivalents	33,781	32,315
Net income available to common shareholders	38,210	43,456
Diluted EPS	\$ 1.13	\$ 1.34

There were 863,260 stock options for the quarter ended September 30, 2009 and 228,587 stock options for the quarter ended September 30, 2008 that were not considered in the calculation of diluted earnings per share since the stock options' exercise price was greater than the average market price during these periods.

There were 897,455 stock options for the nine months ended September 30, 2009 and 840,882 stock options for the nine months ended September 30, 2008 that were not considered in the calculation of diluted earnings per share since the stock options' exercise price was greater than the average market price during these periods.

Note 7. Defined Benefit Postretirement Plans

The Company has a qualified, noncontributory, defined benefit pension plan covering substantially all of its employees at September 30, 2009. Benefits paid from the plan are based on age, years of service, compensation and social security benefits, and are determined in accordance with defined formulas. The Company's policy is to fund the pension plan in accordance with Employee Retirement Income Security Act ("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.

In addition to the pension plan, the Company also provides supplemental employee retirement plans to certain current and former executives. These supplemental employee retirement plans and the defined benefit pension plan are collectively referred to herein as "Pension Benefits."

Also, 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 the Company 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. Eligibility is contingent upon the direct transition from active employment status to retirement without any break in employment from the Company. Employees also must be participants in the Company's medical plan prior to their retirement. 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. These postretirement benefits are referred to herein as "Other Benefits."

The components of expense for pension and other benefits are set forth below (in thousands):

Components of net periodic benefit cost:	Pension Benefits		Other Benefits	
	Three months ended September 30,		Three months ended September 30,	
	2009	2008	2009	2008
Service cost	\$ 587	\$ 573	\$ 6	\$ 6
Interest cost	860	804	56	60
Expected return on plan assets	(1,401)	(1,502)	-	-
Net amortization	670	96	(12)	(6)
Total cost (benefit)	\$ 716	\$ (29)	\$ 50	\$ 60

Components of net periodic benefit cost:	Pension Benefits		Other Benefits	
	Nine months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Service cost	\$ 1,760	\$ 1,718	\$ 18	\$ 18
Interest cost	2,582	2,414	167	180
Expected return on plan assets	(4,202)	(4,507)	-	-
Net amortization	2,011	289	(37)	(19)
Total cost (benefit)	\$ 2,151	\$ (86)	\$ 148	\$ 179

The Company is not required to make contributions to the plans in 2009. However, the Company made contributions to the plans totaling approximately \$12.0 million during the nine months ended September 30, 2009. The Company recorded approximately \$1.2 million, net of tax, as amortization of pension amounts previously recognized in Accumulated Other Comprehensive Loss during the nine months ended September 30, 2009.

Recent market conditions have resulted in an unusually high degree of volatility and increased the risks and short term liquidity associated with certain investments held by the Company's defined benefit pension plan ("the Plan") which could impact the value of these investments.

Note 8. Trust Preferred Debentures

CNBF Capital Trust I is a Delaware statutory business trust formed in 1999, for the purpose of issuing \$18 million in trust preferred securities and lending the proceeds to the Company. NBT Statutory Trust I is a Delaware statutory business trust formed in 2005, for the purpose of issuing \$5 million in trust preferred securities and lending the proceeds to the Company. NBT Statutory Trust II is a Delaware statutory business trust formed in 2006, for the purpose of issuing \$50 million in trust preferred securities and lending the proceeds to the Company to provide funding for the acquisition of CNB Bancorp, Inc. These three statutory business trusts are collectively referred herein to as "the Trusts." 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 by U.S. GAAP. In accordance with U.S. GAAP, the accounts of the Trusts are not included in the Company's consolidated financial statements.

As of September 30, 2009, the Trusts had the following issues of trust preferred debentures, all held by the Trusts, outstanding (dollars in thousands):

Description	Issuance Date	Trust Preferred Securities Outstanding	Interest Rate	Trust Preferred Debt Owed To Trust	Final Maturity date
CNBF Capital Trust I	August 1999	18,000	3-month LIBOR plus 2.75%	\$ 18,720	August 2029
NBT Statutory Trust I	November 2005	5,000	6.30% Fixed *	5,155	December 2035
NBT Statutory Trust II	February 2006	50,000	6.195% Fixed *	51,547	March 2036

* Fixed for 5 years, converts to floating at 3-month LIBOR plus 140 basis points

The Company owns all of the common stock of the Trusts, which have issued trust preferred securities in conjunction with the Company issuing trust preferred debentures to the Trusts. The terms of the trust preferred debentures are substantially the same as the terms of the trust preferred securities.

Note 9. Fair Value Measurements and Fair Value of Financial Instruments

U.S. GAAP states that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value measurements are not adjusted for transaction costs. A fair value hierarchy exists within U.S. GAAP that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The types of instruments valued based on quoted market prices in active markets include most U.S. government and agency securities, many other sovereign government obligations, liquid mortgage products, active listed equities and most money market securities. Such instruments are generally classified within level 1 or level 2 of the fair value hierarchy. The Company does not adjust the quoted price for such instruments.

The types of instruments valued based on quoted prices in markets that are not active, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency include most investment-grade and high-yield corporate bonds, less liquid mortgage products, less liquid agency securities, less liquid listed equities, state, municipal and provincial obligations, and certain physical commodities. Such instruments are generally classified within level 2 of the fair value hierarchy.

Level 3 is for positions that are not traded in active markets or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability, and such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate will be used. Management's best estimate consists of both internal and external support on certain Level 3 investments. Subsequent to inception, management only changes level 3 inputs and assumptions when corroborated by evidence such as transactions in similar instruments, completed or pending third-party transactions in the underlying investment or comparable entities, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in the equity or debt markets, and changes in financial ratios or cash flows.

The following table sets forth the Company's financial assets and liabilities measured on a recurring basis that were accounted for at fair value. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement (in thousands):

	Quoted Prices in			
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of September 30, 2009
Assets:				
Securities Available for Sale:				
U.S. Treasury	64	-	-	64
Federal Agency	-	324,618	-	324,618
State & municipal	-	143,265	-	143,265
Mortgage-backed	-	301,476	-	301,476
Collateralized mortgage obligations	-	328,836	-	328,836
Corporate	-	20,732	-	20,732
Other securities	10,417	3,015	-	13,432
Total Securities Available for Sale	\$ 10,481	\$ 1,121,942	\$ -	\$ 1,132,423
Trading Securities	2,263	-	-	2,263
Total	\$ 12,744	\$ 1,121,942	\$ -	\$ 1,134,686

Certain common equity securities are reported at fair value utilizing Level 1 inputs (exchange quoted prices). The majority of the other investment securities are reported at fair value utilizing Level 2 inputs. The prices for these instruments are obtained through an independent pricing service or dealer market participants with whom the Company has historically transacted both purchases and sales of investment securities. Prices obtained from these sources include prices derived from market quotations and matrix pricing. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things. Management reviews the methodologies used in pricing the securities by its third party providers.

U.S. GAAP require disclosure of assets and liabilities measured and recorded at fair value on a nonrecurring basis such as goodwill, loans held for sale, other real estate owned, lease residuals, collateral-dependent impaired loans, mortgage servicing rights, and held-to-maturity securities. The only nonrecurring fair value measurement recorded during the nine month period ended September 30, 2009 was related to impaired loans. The Company had collateral dependent impaired loans with a carrying value of approximately \$13.2 million which had specific reserves included in the allowance for loan and lease losses of \$3.8 million at September 30, 2009. During the three month period ended September 30, 2009, the Company established specific reserves of approximately \$2.2 million, which were included in the provision for loan and lease losses for the respective period. During the nine month period ended September 30, 2009, the Company established specific reserves of approximately \$3.3 million, which were included in the provision for loan and lease losses for the respective period. The Company uses the fair value of underlying collateral to estimate the specific reserves for collateral dependent impaired loans. Based on the valuation techniques used, the fair value measurements for collateral dependent impaired loans are classified as Level 3.

The following table sets forth information with regard to estimated fair values of financial instruments at September 30, 2009 and December 31, 2008:

<i>(In thousands)</i>	September 30, 2009		December 31, 2008	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial assets				
Cash and cash equivalents	\$ 245,225	\$ 245,225	\$ 110,396	\$ 110,396
Securities available for sale	1,132,423	1,132,423	1,119,665	1,119,665
Securities held to maturity	168,658	170,851	140,209	141,308
Trading securities	2,263	2,263	1,407	1,407
Loans (1)	3,615,890	3,602,116	3,651,911	3,650,428
Less allowance for loan losses	64,650	-	58,564	-
Net loans	3,551,240	3,602,116	3,593,347	3,650,428
Accrued interest receivable	21,021	21,021	22,746	22,746
Financial liabilities				
Savings, NOW, and money market	\$ 2,204,456	\$ 2,204,456	\$ 1,885,551	\$ 1,885,551
Time deposits	1,155,634	1,164,501	1,352,212	1,367,425
Noninterest bearing	744,383	744,383	685,495	685,495
Short-term borrowings	147,792	147,792	206,492	206,492
Long-term debt	579,712	629,220	632,209	660,246
Accrued interest payable	6,984	6,984	8,709	8,709
Trust preferred debentures	75,422	78,913	75,422	79,411

(1) Lease receivables 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.

Note 10. 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
September 30, 2009				
U.S. Treasury	\$ 59	\$ 5	\$ -	\$ 64
Federal Agency	320,015	4,603	-	324,618
State & municipal	138,022	5,374	131	143,265
Mortgage-backed	287,025	14,451	-	301,476
Collateralized mortgage obligations	318,783	10,415	362	328,836
Corporate	20,012	720	-	20,732
Other securities	12,295	1,595	458	13,432
Total securities available for sale	\$ 1,096,211	\$ 37,163	\$ 951	\$ 1,132,423
December 31, 2008				
U.S. Treasury	\$ 59	\$ 8	\$ -	\$ 67
Federal Agency	213,997	5,211	41	219,167
State & municipal	126,369	2,374	770	127,973
Mortgage-backed	351,973	8,755	99	360,629
Collateralized mortgage obligations	376,058	5,656	1,437	380,277
Corporate	20,016	769	-	20,785
Other securities	10,475	1,279	987	10,767
Total securities available for sale	\$ 1,098,947	\$ 24,052	\$ 3,334	\$ 1,119,665

In the available for sale category at September 30, 2009, federal agency securities were comprised of Government-Sponsored Enterprise (“GSE”) securities; mortgaged-backed securities were comprised of GSE securities with an amortized cost of \$254.8 million and a fair value of \$267.4 million and US Government Agency securities with an amortized cost of \$32.2 million and a fair value of \$34.0 million; collateralized mortgage obligations were comprised of GSE securities with an amortized cost of \$165.3 million and a fair value of \$169.8 million and US Government Agency securities with an amortized cost of \$153.4 million and a fair value of \$159.1 million.

In the available for sale category at December 31, 2008, federal agency securities were comprised of GSE securities; mortgaged-backed securities were comprised of GSE securities with an amortized cost of \$313.7 million and a fair value of \$321.0 million and US Government Agency securities with an amortized cost of \$38.2 million and a fair value of \$39.7 million; collateralized mortgage obligations were comprised of GSE securities with an amortized cost of \$204.1 million and a fair value of \$205.6 million and US Government Agency securities with an amortized cost of \$172.0 million and a fair value of \$174.6 million.

Others securities primarily represent marketable equity securities.

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

<i>(In thousands)</i>	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Proceeds from sales	\$ 2,753	\$ 5,660	\$ 2,753	\$ 6,800
Gross realized gains	154	1,661	154	1,661
Gross realized losses	(49)	-	(49)	(46)
Net securities (losses) gains	\$ 105	\$ 1,661	\$ 105	\$ 1,615

During the periods presented above, the Company also recognized securities gains and losses from calls and maturities.

Securities available for sale with amortized costs totaling \$1.1 billion at September 30, 2009 and December 31, 2008, were pledged to secure public deposits and for other purposes required or permitted by law. Additionally, at September 30, 2009 and December 31, 2008, securities available for sale with an amortized cost of \$169.4 million and \$165.7 million, respectively, were pledged as collateral for securities sold under repurchase agreements.

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

<i>(In thousands)</i>	Amortized cost	Unrealized gains	Unrealized losses	Estimated fair value
September 30, 2009				
Mortgage-backed	\$ 2,128	\$ 168	\$ -	\$ 2,296
State & municipal	166,530	2,030	5	168,555
Total securities held to maturity	\$ 168,658	\$ 2,198	\$ 5	\$ 170,851
December 31, 2008				
Mortgage-backed	\$ 2,372	\$ 95	\$ -	\$ 2,467
State & municipal	136,259	1,048	44	137,263
Other securities	1,578	-	-	1,578
Total securities held to maturity	\$ 140,209	\$ 1,143	\$ 44	\$ 141,308

At September 30, 2009, all of the mortgaged-backed securities held to maturity were comprised of US Government Agency securities.

The following table sets forth information with regard to investment securities with unrealized losses at September 30, 2009 and December 31, 2008:

Security Type:	Less than 12 months			12 months or longer			Total		
	Fair Value	Unrealized losses	Number of Positions	Fair Value	Unrealized losses	Number of Positions	Fair Value	Unrealized losses	Number of Positions
September 30, 2009									
U.S. Treasury	\$ -	\$ -	-	\$ -	\$ -	-	\$ -	\$ -	-
Federal agency	-	-	-	-	-	-	-	-	-
State & municipal	1,001	(5)	2	8,641	(126)	38	9,642	(131)	40
Mortgage-backed	-	-	-	-	-	-	-	-	-
Collateralized mortgage obligations	-	-	-	41,739	(362)	3	41,739	(362)	3
Corporate	-	-	-	-	-	-	-	-	-
Other securities	4,565	(428)	1	51	(30)	1	4,616	(458)	2
Total securities with unrealized losses	\$ 5,566	\$ (433)	3	\$ 50,431	\$ (518)	42	\$ 55,997	\$ (951)	45
December 31, 2008									
U.S. Treasury	\$ -	\$ -	-	\$ -	\$ -	-	\$ -	\$ -	-
Federal agency	9,959	(41)	1	-	-	-	9,959	(41)	1
State & municipal	17,024	(390)	31	15,112	(380)	57	32,136	(770)	88
Mortgage-backed	2,105	(28)	15	7,336	(71)	5	9,441	(99)	20
Collateralized mortgage obligations	46,865	(1,301)	5	15,682	(136)	9	62,547	(1,437)	14
Corporate	-	-	-	-	-	-	-	-	-
Other securities	5,276	(947)	5	704	(40)	1	5,980	(987)	6
Total securities with unrealized losses	\$ 81,229	\$ (2,707)	57	\$ 38,834	\$ (627)	72	\$ 120,063	\$ (3,334)	129

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 or in other comprehensive income, depending on whether the Company intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss. If the Company intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss, the other-than-temporary impairment shall be recognized in earnings equal to the entire difference between the investment's amortized cost basis and its fair value at the balance sheet date. If the Company does not intend to sell the security and it is not more likely than not that the entity will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss, the other-than-temporary impairment shall be separated into (a) the amount representing the credit loss and (b) the amount related to all other factors. The amount of the total other-than-temporary impairment related to the credit loss shall be recognized in earnings. The amount of the total other-than-temporary impairment related to other factors shall be recognized in other comprehensive income, net of applicable taxes.

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 historical and implied volatility of the fair value of the security.

Management has the intent to hold the securities classified as held to maturity until they mature, at which time it is believed the Company will receive full value for the securities. Furthermore, as of September 30, 2009, management also had intent to hold, and will not be required to sell, the securities classified as available for sale for a period of time sufficient for a recovery of cost, which may be until maturity. The unrealized losses are due to increases in market interest rates over the yields available at the time the underlying securities were purchased. When necessary, the Company has performed a discounted cash flow analysis to determine whether or not it will receive the contractual principal and interest on certain securities. 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. As of September 30, 2009, management believes the impairments detailed in the table above are temporary and no other-than-temporary impairment losses have been realized in the Company's consolidated statements of income.

The following tables set forth information with regard to contractual maturities of debt securities at September 30, 2009:

<i>(In thousands)</i>	Amortized cost	Estimated fair value
<i>Debt securities classified as available for sale</i>		
Within one year	\$ 27,467	\$ 28,037
From one to five years	318,253	321,542
From five to ten years	315,200	330,189
After ten years	422,996	439,223
	\$ 1,083,916	\$ 1,118,991
<i>Debt securities classified as held to maturity</i>		
Within one year	\$ 107,216	\$ 107,262
From one to five years	37,653	38,852
From five to ten years	18,455	19,232
After ten years	5,334	5,505
	\$ 168,658	\$ 170,851

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 issuer that exceeded 10% of consolidated stockholders' equity at September 30, 2009.

NBT BANCORP INC. AND SUBSIDIARIES

Item 2 -- MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The purpose of this discussion and analysis is to provide a concise description of the financial condition and results of operations of NBT Bancorp Inc. (“the Registrant”) and its wholly owned consolidated subsidiaries, NBT Bank, N.A. (the “Bank”), NBT Financial Services, Inc. (“NBT Financial”), and NBT Holdings, Inc. (“NBT Holdings”) (collectively referred to herein as the “Company”). This discussion will focus on Results of Operations, Financial Position, Capital Resources and Asset/Liability Management. Reference should be made to the Company's consolidated financial statements and footnotes thereto included in this Form 10-Q as well as to the Company's 2008 Form 10-K for an understanding of the following discussion and analysis. Operating results for the three and nine month periods ended September 30, 2009 are not necessarily indicative of the results of the full year ending December 31, 2009 or any future period.

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, 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,” “could,” 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: (1) competitive pressures among depository and other financial institutions may increase significantly; (2) revenues may be lower than expected; (3) changes in the interest rate environment may affect interest margins; (4) general economic conditions, either nationally or regionally, may be less favorable than expected, resulting in, among other things, a deterioration in credit quality and/or a reduced demand for credit; (5) legislative or regulatory changes, including changes in accounting standards or tax laws, may adversely affect the businesses in which the Company is engaged; (6) competitors may have greater financial resources and develop products that enable such competitors to compete more successfully than the Company; (7) adverse changes may occur in the securities markets or with respect to inflation; (8) acts of war or terrorism; (9) the costs and effects of litigation and of unexpected or adverse outcomes in such litigation; (10) internal control failures; and (11) the Company's success in managing the risks involved in the foregoing.

The Company cautions readers not to place undue reliance on any forward-looking statements, which speak only as of the date made, and advises readers that various factors, including those described above and other factors discussed in the Company's annual and quarterly reports previously filed with the Securities and Exchange Commission, 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.

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

Critical Accounting Policies

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 judgment 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 may need to be increased. For example, if historical loan and lease loss experience significantly worsened or if current economic conditions further deteriorated, particularly in the Company's primary market area, additional provisions for loan and lease losses may 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 evaluations were significantly lowered, the Company's allowance for loan and lease policy may require additional provisions for loan and lease losses.

Management of the Company considers the accounting policy relating to pension accounting to be a critical accounting policy. 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 relevant indices and 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.

Management of the Company considers the accounting policy relating to other-than-temporary impairment to be a critical accounting policy. Management systematically evaluates certain assets for other-than-temporary declines in fair value, primarily investment securities and lease residual assets. Management considers historical values and current market conditions as a part of the assessment. The amount of the total other-than-temporary impairment related to the credit loss is recognized in earnings and the amount of the total other-than-temporary impairment related to other factors is recognized in other comprehensive income, net of applicable taxes.

Overview

The following information should be considered in connection with the Company's results for the first nine months of 2009:

- Like all FDIC insured financial institutions, the Company has been subjected to substantial increases in FDIC recurring premiums, as well as a special assessment levied by the FDIC in the second quarter of 2009, which had a significant impact on 2009 year to date earnings. For the three months ended September 30, 2009, FDIC expenses increased \$0.9 million over the three months ended September 30, 2008. For the nine months ended September 30, 2009, FDIC expenses increased \$6.1 million over the nine months ended September 30, 2008, including the aforementioned special assessment totaling \$2.5 million. The FDIC premium increases and special assessment had a \$0.02 and \$0.13 effect on diluted earnings per share for the three months ended September 30, 2009 and for the nine months ended September 30, 2009, respectively.

- Pension expenses increased in 2009 in comparison to 2008 primarily due to the impact of market declines on pension assets. The Company expects pension expense to remain at these increased levels during the remainder of 2009. For the three months ended September 30, 2009, pension expenses increased \$0.7 million over the three months ended September 30, 2008. For the nine months ended September 30, 2009, pension expenses increased \$2.2 million over the nine months ended September 30, 2008. The pension expense increases had a \$0.01 and \$0.04 effect on diluted earnings per share for the three months ended September 30, 2009 and for the nine months ended September 30, 2009, respectively.
- The Company's results for the first nine months of 2009, unlike the first nine months of 2008, include the results of Mang for the entire period. Mang was acquired by the Company on September 1, 2008. Mang provides brokered insurance products to individuals and businesses from locations in 19 upstate New York communities.
- In 2009, the Company has strategically expanded into the northwestern Vermont region. A loan production office is currently located in Burlington, Vermont.
- The Company's results for the first nine months of 2009 include operating costs of new branches from de novo activity for three branches opened in 2007, four branches opened in 2008 and the aforementioned loan production office in Burlington, Vermont, which began operating in 2009. The operating costs for those locations are included in the Company's noninterest expense for the first nine months of 2009 of approximately \$2.3 million, as compared to \$2.0 million for the same period in 2008.
- The Company's common stock was added to the Standard & Poor's SmallCap 600 Index during the first quarter of 2009. Simultaneously with being added to the index, the Company launched a public offering of its common stock, which was completed during the second quarter of 2009.
- As a result of the current economic recession, the Company is facing certain challenges in its industry. Given the current low rate environment, the Company's net interest margin could come under pressure as the cash flows from the loan and securities portfolios are reinvested at lower rates and deposit rates are at or near their lowest level in years. In an effort to mitigate the effect of the recession on its loan portfolio, the Company continues to originate loans using strict underwriting criteria, specifically for consumer lending and has discontinued originating new auto leases since the second quarter of 2009. In addition, the Company has increased sales of newly originated loans to secondary markets to mitigate interest rate risk.

In addition, the Company has not actively pursued the types of loans, such as subprime, alt-A and no-interest loans, that have been the most problematic for many banks. Therefore, the Company has not made substantial changes to its core business of investing deposit funds in loans and leases in its market areas in response to the recent and continuing economic crisis. However, in light of increased margin pressures due in part to the economic crisis, the Company has recently increased its focus on earning noninterest income through organic growth of our retirement plan administration services and the Company's acquisition of Mang Insurance Agency in September of 2008. The Company has also increased its resources for collecting on past due loans.

Net income per diluted share for the three months ended September 30, 2009 was \$0.40 per share, as compared with \$0.46 per share for the three months ended September 30, 2008. Net income for the three months ended September 30, 2009 was \$13.6 million, down \$1.5 million, or 10.0%, from \$15.1 million for the third quarter last year. The decrease in net income for the three months ended September 30, 2009 compared with the three months ended September 30, 2008 was primarily the result of the aforementioned increase in FDIC expenses, an increase in the provision for loan and lease losses, and an increase in salaries and employee benefits due to increases in full-time-equivalent employees and pension expenses.

Net income per diluted share for the nine months ended September 30, 2009 was \$1.13 per share, as compared with \$1.34 per share for the nine months ended September 30, 2008. Net income for the nine months ended September 30, 2009 was \$38.2 million, down \$5.2 million, or 12.1%, from the nine months ended September 30, 2008. The decrease in net income for the nine months ended September 30, 2009 compared with the nine months ended September 30, 2008 was primarily the result of the aforementioned increase in FDIC expenses including the \$2.5 million special assessment, an increase in the provision for loan and lease losses, and an increase in salaries and employee benefits due to increases in full-time-equivalent employees and pension expenses.

Table 1 depicts several annualized measurements of performance using U.S. GAAP net income that management reviews in analyzing the Company's performance. Returns on average assets and equity measure how effectively an entity utilizes its total resources and capital, respectively. Net interest margin, which is the net federal taxable equivalent (FTE) interest income divided by average earning assets, is a measure of an entity's ability to utilize its earning assets in relation to the cost of funding. Interest income for tax-exempt securities and loans is adjusted to a taxable equivalent basis using the statutory Federal income tax rate of 35%.

Table 1 - Performance Measures

	First Quarter	Second Quarter	Third Quarter	Nine Months Ended September 30, 2009
2009				
Return on average assets (ROAA)	0.99%	0.85%	0.99%	0.95%
Return on average equity (ROAE)	12.14%	9.63%	11.01%	10.89%
Net Interest Margin	4.09%	3.95%	3.98%	4.00%
2008				
Return on average assets (ROAA)	1.07%	1.12%	1.13%	1.11%
Return on average equity (ROAE)	13.68%	14.49%	14.58%	14.26%
Net Interest Margin	3.84%	3.94%	3.94%	3.91%

Net Interest Income

Net interest income is the difference between interest income on earning assets, primarily loans and securities, and interest expense on interest bearing liabilities, primarily deposits and borrowings. Net interest income is affected by the interest rate spread, the difference between the yield on earning assets and cost of interest bearing liabilities, as well as the volumes of such assets and liabilities. Net interest income is one of the major determining factors in a financial institution's performance as it is the principal source of earnings. In response to the financial crisis, the Federal Open Market Committee lowered the target Federal Funds rate 500 bp, from 5.25% to 0.25% between September 2007 and December 2008 resulting in a corresponding drop in the Prime Rate from 8.25% to 3.25%. Since December 2008, there has been no action taken to change the rate. As a result of these changes, the yield curve has steepened, thus far allowing the Company to lower its cost of funds more quickly than the repricing of earning assets, resulting in a higher net interest margin. In addition, the Company has lowered rates paid on interest-bearing liabilities. The impact of these actions is further explained in Table 2, which represents an analysis of net interest income on a FTE basis.

FTE net interest income increased \$1.6 million, or 3.3%, during the three months ended September 30, 2009, compared to the same period of 2008. The increase in FTE net interest income resulted primarily from a decrease in the rate paid on interest bearing liabilities of 74 bp to 1.83% for the three months ended September 30, 2009 from 2.57% for the same period in 2008. The interest rate spread increased 12 bp during the three months ended September 30, 2009 compared to the same period in 2008. The net interest margin increased by 4 bp to 3.98% for the three months ended September 30, 2009, compared with 3.94% for the same period in 2008. For the three months ended September 30, 2009, total FTE interest income decreased \$6.0 million, or 8.0% as compared with the three months ended September 30, 2008. The yield on earning assets for the period decreased 61 bp to 5.48% for the three months ended September 30, 2009 from 6.09% for the same period in 2008. This decrease was partially offset by an increase in average interest earning assets of \$94.6 million, or 1.9%, for the three months ended September 30, 2009 when compared to the same period in 2008, principally from growth in short-term interest bearing accounts. As a result of our excess liquidity, our Federal Funds sold position had a negative impact of 9 bp on our net interest margin for the three months ended September 30, 2009.

For the quarter ended September 30, 2009, total interest expense decreased \$7.6 million, or 28.7%, primarily the result of the 175 basis point drop in the target Fed Funds rate from 2.00% at September 30, 2008 to 0.25% at September 30, 2009, which impacts the Company's short-term borrowing, money market account and time deposit rates. Average interest bearing liabilities decreased nominally for the three months ended September 30, 2009 when compared to the same period in 2008. Total average interest bearing deposits increased \$57.7 million, or 1.8%, for the three months ended September 30, 2009 when compared to the same period in 2008. The rate paid on average interest bearing deposits decreased 80 bp from 2.24% for the three months ended September 30, 2008 to 1.44% for the same period in 2009. For the three months ended September 30, 2009, the Company experienced a shift in its deposit mix from time deposits to money market deposit accounts and NOW accounts. Average time deposit accounts decreased approximately \$313.0 million, or 20.7%, for the three months ended September 30, 2009 when compared to the same period in 2008, while money market accounts and NOW accounts collectively increased approximately \$336.0 million, or 26.4%.

Total average borrowings, including trust preferred debentures, decreased \$62.4 million, or 7.3%, for the three months ended September 30, 2009 compared with the same period in 2008. Average short-term borrowings decreased by \$22.1 million, or 14.3%, from \$154.6 million for the three months ended September 30, 2008 to \$132.5 million for the three months ended September 30, 2009. The Company has been in a Fed Funds sold position since March 2009 which has decreased reliance on short-term borrowings. Interest expense from short-term borrowings decreased \$0.6 million, or 81.4%. The rate paid on short-term borrowings decreased 154 bp from 1.96% for the three months ended September 30, 2008 to 0.42% for the same period in 2009. Average long-term debt decreased \$40.3 million, or 6.4%, for the three months ended September 30, 2009, compared with the same period in 2008. The rate paid on long-term debt decreased to 3.90% for the three months ended September 30, 2009, from 4.01% for the same period in 2008. As a result of the decrease in the average balance and rate paid on long-term debt, interest paid on long-term debt decreased \$0.5 million, or 8.7%, for the three months ended September 30, 2009 as compared to the same period in 2008.

FTE net interest income increased \$7.5 million, or 5.3%, during the nine months ended September 30, 2009, compared to the same period of 2008. The increase in FTE net interest income resulted primarily from a decrease in the rate paid on interest bearing liabilities of 80 bp, to 1.95% for the nine months ended September 30, 2009 from 2.75% for the same period in 2008. The interest rate spread increased 20 bp during the nine months ended September 30, 2009 compared to the same period in 2008. The net interest margin increased by 9 bp to 4.00% for the nine months ended September 30, 2009, compared with 3.91% for the same period in 2008. For the nine months ended September 30, 2009, total FTE interest income decreased \$15.9 million, or 7.1%. The yield on earning assets for the period decreased 59 bp to 5.63% for the nine months ended September 30, 2009 from 6.22% for the same period in 2008. This decrease was partially offset by an increase in average interest earning assets of \$136.6 million, or 2.8%, for the nine months ended September 30, 2009 when compared to the same period in 2008, principally from growth in average loans and leases and average short-term interest bearing accounts. As a result of our excess liquidity, our Federal Funds sold position had a negative impact of 7 bp on our net interest margin for the nine months ended September 30, 2009.

For the nine months ended September 30, 2009, total interest expense decreased \$23.5 million, or 27.9%, primarily the result of the 175 basis point drop in the target Fed Funds rate from 2.00% at September 30, 2008 to 0.25% at September 30, 2009, which impacts the Company's short-term borrowing, money market account and time deposit rates. Additionally, average interest bearing liabilities increased \$71.2 million, or 1.7%, for the nine months ended September 30, 2009 when compared to the same period in 2008, principally from growth in money market deposit accounts, NOW deposit accounts, and long-term debt, partially offset by the decrease in time deposit accounts and short-term borrowings. Total average interest bearing deposits increased \$107.3 million, or 3.3%, for the nine months ended September 30, 2009 when compared to the same period in 2008. The rate paid on average interest bearing deposits decreased 91 bp from 2.47% for the nine months ended September 30, 2008 to 1.56% for the same period in 2009. For the nine months ended September 30, 2009, the Company experienced a shift in its deposit mix from time deposits to money market deposit accounts and NOW accounts. Average time deposit accounts decreased approximately \$286.4 million, or 18.4%, for the nine months ended September 30, 2009 when compared to the same period in 2008, while money market accounts and NOW accounts collectively increased approximately \$366.0 million, or 30.5%.

Total average borrowings, including trust preferred debentures, decreased \$36.1 million, or 4.2%, for the nine months ended September 30, 2009 compared with the same period in 2008. Average short-term borrowings decreased by \$104.5 million, or 43.9%, from \$238.2 million for the nine months ended September 30, 2008 to \$133.7 million for the nine months ended September 30, 2009. The Company has been in a Fed Funds sold position since March 2009 which has decreased reliance on short-term borrowings. Interest expense from short-term borrowings decreased \$4.1 million, or 90.8%. The rate paid on short-term borrowings decreased 209 bp from 2.50% for the nine months ended September 30, 2008 to 0.41% for the same period in 2009. Average long-term debt increased \$68.4 million, or 12.7%, for the nine months ended September 30, 2009, compared with the same period in 2008. The rate paid on long-term debt decreased to 3.95% for the nine months ended September 30, 2009, compared with 4.02% for the same period in 2008. As a result of the increase in the average balance of long-term debt, interest paid on long-term debt increased \$1.7 million, or 10.6%, for the nine months ended September 30, 2009 as compared to the same period in 2008.

Table 2
Average Balances and Net Interest Income

The following tables include 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 has been adjusted to a taxable-equivalent basis using the statutory Federal income tax rate of 35%.

Three months ended September 30,

(dollars in thousands)	2009			2008		
	Average Balance	Interest	Yield/Rates	Average Balance	Interest	Yield/Rates
ASSETS						
Short-term interest bearing accounts	\$ 99,501	\$ 74	0.30%	\$ 4,077	\$ 20	1.95%
Securities available for sale (1)(excluding unrealized gains or losses)	1,082,655	11,859	4.35%	1,116,089	14,159	5.05%
Securities held to maturity (1)	161,915	1,871	4.58%	148,397	2,026	5.43%
Investment in FRB and FHLB Banks	37,372	541	5.74%	40,401	653	6.43%
Loans and leases (2)	3,627,803	54,857	6.00%	3,605,700	58,371	6.44%
Total interest earning assets	\$ 5,009,246	\$ 69,202	5.48%	\$ 4,914,664	\$ 75,229	6.09%
Trading securities	2,109			2,266		
Other assets	404,019			384,710		
Total assets	\$ 5,415,374			\$ 5,301,640		
LIABILITIES AND STOCKHOLDERS' EQUITY						
EQUITY						
Money market deposit accounts	\$ 1,025,345	\$ 3,317	1.28%	\$ 779,954	\$ 3,593	1.83%
NOW deposit accounts	582,307	694	0.47%	491,673	1,060	0.86%
Savings deposits	509,258	217	0.17%	474,602	514	0.43%
Time deposits	1,199,101	7,774	2.57%	1,512,072	13,184	3.47%
Total interest bearing deposits	\$ 3,316,011	\$ 12,002	1.44%	\$ 3,258,301	\$ 18,351	2.24%
Short-term borrowings	132,459	142	0.42%	154,567	763	1.96%
Trust preferred debentures	75,422	1,049	5.52%	75,422	1,154	6.09%
Long-term debt	585,416	5,761	3.90%	625,733	6,310	4.01%
Total interest bearing liabilities	\$ 4,109,308	\$ 18,954	1.83%	\$ 4,114,023	\$ 26,578	2.57%
Demand deposits	737,064			706,803		
Other liabilities	79,862			69,355		
Stockholders' equity	489,140			411,459		
Total liabilities and stockholders' equity	\$ 5,415,374			\$ 5,301,640		
Net interest income (FTE)		50,248			48,651	
Interest rate spread			3.64%			3.52%
Net interest margin			3.98%			3.94%
Taxable equivalent adjustment		1,566			1,608	
Net interest income		\$ 48,682			\$ 47,043	

(1) Securities are shown at average amortized cost

(2) For purposes of these computations, nonaccrual loans are included in the average loan balances outstanding

Nine months ended September 30,

(dollars in thousands)	2009			2008		
	Average Balance	Interest	Yield/Rates	Average Balance	Interest	Yield/Rates
ASSETS						
Short-term interest bearing accounts	\$ 76,523	\$ 150	0.26%	\$ 6,517	\$ 145	2.98%
Securities available for sale (1)(excluding unrealized gains or losses)	1,085,746	37,399	4.61%	1,112,582	42,689	5.13%
Securities held to maturity (1)	146,350	5,553	5.07%	153,010	6,544	5.71%
Investment in FRB and FHLB Banks	38,143	1,432	5.02%	39,730	2,042	6.87%
Loans and leases (2)	3,646,437	165,578	6.07%	3,544,787	174,635	6.58%
Total interest earning assets	\$ 4,993,199	\$ 210,112	5.63%	\$ 4,856,626	\$ 226,055	6.22%
Trading securities	1,801			2,388		
Other assets	410,331			377,116		
Total assets	\$ 5,405,331			\$ 5,236,130		
LIABILITIES AND STOCKHOLDERS' EQUITY						
EQUITY						
Money market deposit accounts	\$ 995,233	\$ 9,806	1.32%	\$ 736,313	\$ 10,724	1.95%
NOW deposit accounts	\$ 571,478	2,328	0.54%	464,396	2,943	0.85%
Savings deposits	\$ 497,040	631	0.17%	469,335	1,780	0.51%
Time deposits	1,272,893	26,199	2.75%	1,559,294	44,314	3.80%
Total interest bearing deposits	\$ 3,336,644	\$ 38,964	1.56%	\$ 3,229,338	\$ 59,761	2.47%
Short-term borrowings	133,668	413	0.41%	238,200	4,465	2.50%
Trust preferred debentures	75,422	3,211	5.69%	75,422	3,547	6.28%
Long-term debt	608,408	17,956	3.95%	539,961	16,241	4.02%
Total interest bearing liabilities	\$ 4,154,142	\$ 60,544	1.95%	\$ 4,082,921	\$ 84,014	2.75%
Demand deposits	708,513			678,277		
Other liabilities	73,440			67,805		
Stockholders' equity	469,236			407,127		
Total liabilities and stockholders' equity	\$ 5,405,331			\$ 5,236,130		
Net interest income (FTE)		149,568			142,041	
Interest rate spread			3.67%			3.47%
Net interest margin			4.00%			3.91%
Taxable equivalent adjustment		4,723			4,928	
Net interest income		\$ 144,845			\$ 137,113	

(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 following table presents changes in interest income 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.

Analysis of Changes in Taxable Equivalent Net Interest Income

Three months ended September 30,

(in thousands)	Increase (Decrease) 2009 over 2008		
	Volume	Rate	Total
Short-term interest bearing accounts	\$ 182	\$ (128)	\$ 54
Securities available for sale	(408)	(1,892)	(2,300)
Securities held to maturity	870	(1,025)	(155)
Investment in FRB and FHLB Banks	(46)	(66)	(112)
Loans and leases	2,324	(5,838)	(3,514)
Total interest income	2,922	(8,949)	(6,027)
Money market deposit accounts	4,246	(4,522)	(276)
NOW deposit accounts	995	(1,361)	(366)
Savings deposits	235	(532)	(297)
Time deposits	(2,406)	(3,003)	(5,409)
Short-term borrowings	(96)	(525)	(621)
Trust preferred debentures	-	(105)	(105)
Long-term debt	(388)	(162)	(550)
Total interest expense	2,586	(10,210)	(7,624)
Change in FTE net interest income	\$ 336	\$ 1,261	\$ 1,597

Nine months ended September 30,

(in thousands)	Increase (Decrease) 2009 over 2008		
	Volume	Rate	Total
Short-term interest bearing accounts	\$ 330	\$ (325)	\$ 5
Securities available for sale	(1,016)	(4,274)	(5,290)
Securities held to maturity	(277)	(714)	(991)
Investment in FRB and FHLB Banks	(79)	(531)	(610)
Loans and leases	7,316	(16,373)	(9,057)
Total interest income	6,274	(22,217)	(15,943)
Money market deposit accounts	4,344	(5,262)	(918)
NOW deposit accounts	859	(1,474)	(615)
Savings deposits	164	(1,313)	(1,149)
Time deposits	(7,253)	(10,862)	(18,115)
Short-term borrowings	(1,396)	(2,656)	(4,052)
Trust preferred debentures	-	(336)	(336)
Long-term debt	2,183	(468)	1,715
Total interest expense	(1,099)	(22,371)	(23,470)
Change in FTE net interest income	\$ 7,373	\$ 154	\$ 7,527

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 periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
(in thousands)				
Service charges on deposit accounts	\$ 7,110	\$ 7,414	\$ 20,357	\$ 20,877
Insurance and broker/ dealer revenue	4,368	2,338	13,926	4,811
Trust	1,668	1,720	4,838	5,593
Net securities gains	129	1,510	146	1,543
Bank owned life insurance	683	923	2,225	2,438
ATM fees	2,443	2,334	6,993	6,656
Retirement plan administration fees	2,412	1,461	6,347	4,840
Other	2,037	1,262	5,453	4,718
Total noninterest income	\$ 20,850	\$ 18,962	\$ 60,285	\$ 51,476

Noninterest income for the three months ended September 30, 2009 was \$20.9 million, up \$1.9 million or 10.0% from \$19.0 million for the same period in 2008. The increase in noninterest income was due primarily to an increase in insurance and broker/dealer revenue, which increased approximately \$2.0 million for the three month period ended September 30, 2009 as compared with the three month period ended September 30, 2008. This increase was due primarily to revenue generated by Mang Insurance Agency, LLC, which was acquired on September 1, 2008. In addition, retirement plan administration fees increased approximately \$1.0 million for the three month period ended September 30, 2009 as compared with the three month period ended September 30, 2008 as a result of organic growth from new business. These increases were partially offset by a decrease in net securities gains of approximately \$1.4 million for the three months ended September 30, 2009 as compared with the three months ended September 30, 2008.

Noninterest income for the nine months ended September 30, 2009 was \$60.3 million, up \$8.8 million or 17.1% from \$51.5 million for the same period in 2008. The increase in noninterest income was due primarily to an increase in insurance and broker/dealer revenue, which increased approximately \$9.1 million for the nine month period ended September 30, 2009 as compared with the nine month period ended September 30, 2008. This increase was due primarily to revenue generated by Mang Insurance Agency, LLC as previously mentioned. In addition, retirement plan administration fees increased approximately \$1.5 million for the nine month period ended September 30, 2009 as compared with the nine month period ended September 30, 2008 as a result of organic growth from new business. These increases were partially offset by a decrease in trust administration income of approximately \$0.8 million for the nine months ended September 30, 2009 as compared with the nine months ended September 30, 2008 due primarily to a decline in the fair value of trust assets under administration. In addition, the Company experienced a decrease in net securities gains of approximately \$1.4 million for the nine months ended September 30, 2009 as compared with the nine months ended September 30, 2008.

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 periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
(in thousands)				
Salaries and employee benefits	\$ 21,272	\$ 16,850	\$ 62,646	\$ 50,526
Occupancy	3,481	3,359	11,256	10,396
Equipment	1,997	1,908	6,024	5,595
Data processing and communications	3,305	3,155	9,924	9,440
Professional fees and outside services	2,691	2,205	7,820	7,825
Office supplies and postage	1,426	1,322	4,385	3,992
Amortization of intangible assets	827	462	2,465	1,231
Loan collection and other real estate owned	755	505	2,177	1,802
Impairment on lease residual assets	-	2,000	-	2,000
FDIC insurance	1,535	614	7,096	986
Other	3,743	4,678	11,483	12,722
Total noninterest expense	\$ 41,032	\$ 37,058	\$ 125,276	\$ 106,515

Noninterest expense for the three months ended September 30, 2009 was \$41.0 million, up from \$37.1 million for the same period in 2008. FDIC expenses increased approximately \$0.9 million for the three months ended September 30, 2009, compared with the same period in 2008 due to recurring FDIC premiums, which increased to \$1.5 million for the three months ended September 30, 2009 as compared with \$0.6 million for the same period last year. Salaries and employee benefits increased \$4.4 million, or 26.2%, for the three months ended September 30, 2009 compared with the same period in 2008. This increase was due primarily to increases in full-time-equivalent employees during 2009, largely due to the Company's acquisition of Mang in September 2008 and the aforementioned de novo branch activity. In addition, the Company experienced an increase of approximately \$0.8 million in pension expenses for the three months ended September 30, 2009 as compared with the same period in 2008. Amortization of intangible assets was \$0.8 million for the three months ended September 30, 2009, up from \$0.5 million for same period in 2008 due to the aforementioned acquisition. In addition, professional fees and outside services expenses increased approximately \$0.5 million, or 22.0%, for the three months ended September 30, 2009 as compared with the three months ended September 30, 2008. This increase was due primarily to non-recurring systems consulting services. These increases were partially offset by an impairment on lease residual assets incurred during the third quarter of 2008 totaling \$2.0 million. The increases were also partially offset by a decrease in other operating expenses. For the three month period ended September 30, 2009, other operating expenses totaled \$3.7 million, down \$1.0 million or 20.0%, from \$4.7 million for the three months ended September 30, 2008. This decrease resulted primarily from a decrease in losses incurred from sales of certain returned lease vehicles totaling approximately \$0.9 million during the third quarter of 2008, due to reduced values of the vehicles.

Noninterest expense for the nine months ended September 30, 2009 was \$125.3 million, up from \$106.5 million for the same period in 2008. FDIC expenses increased approximately \$6.1 million for the nine months ended September 30, 2009, compared with the same period in 2008. This increase was due to the special assessment imposed by the FDIC totaling approximately \$2.5 million during the second quarter of 2009, in addition to increased recurring FDIC premiums. Salaries and employee benefits increased \$12.1 million, or 24.0%, for the nine months ended September 30, 2009 compared with the same period in 2008. This increase was due primarily to increases in full-time-equivalent employees during 2009, largely due to the Company's acquisition of Mang in September 2008 and the aforementioned de novo branch activity. In addition, the Company experienced increases of approximately \$2.2 million and \$0.9 million in pension and medical expenses, respectively, for the nine months ended September 30, 2009 as compared with the same period in 2008. Amortization of intangible assets was \$2.5 million for the nine months ended September 30, 2009, up from \$1.2 million for same period in 2008 due to the aforementioned acquisition. Occupancy expenses were up approximately \$0.9 million for the nine months ended September 30, 2009 as compared with the nine months ended September 30, 2008. This increase was due primarily to the Company's acquisition of Mang in September 2008 and the aforementioned de novo branch activity during the period.

Income Taxes

Income tax expense for the three month period ended September 30, 2009 was \$5.8 million, down from \$6.7 million for the same period in 2008. The effective rates were 30.0% and 30.7% for the three month periods ended September 30, 2009 and 2008, respectively. Income tax expense for the nine month period ended September 30, 2009 was \$16.9 million, down from \$19.2 million for the same period in 2008. The effective rates were 30.7% and 30.6% for the nine month periods ended September 30, 2009 and 2008, respectively.

ANALYSIS OF FINANCIAL CONDITION

Securities

The Company classifies its securities at date of purchase as 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. Held to maturity securities are recorded at amortized cost. 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. For the securities that the Company does not have the intent to sell and will not be more likely than not forced to sell, the amount of the total other-than-temporary impairment related to the credit loss is recognized in earnings and the amount of the total other-than-temporary impairment related to other factors is recognized in other comprehensive income, net of applicable taxes. Securities with an other-than-temporary impairment are generally placed on nonaccrual status. 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.

Held to maturity securities increased \$28.5 million, or 20.3%, from \$140.2 million at December 31, 2008 to \$168.7 million at September 30, 2009. This increase is due primarily to an increase in local underwriting activity throughout our municipal banking footprint. At September 30, 2009, the balance of available for sale securities increased by approximately \$12.8 million, or 1.1%, from December 31, 2008.

Average total earning securities decreased \$19.9 million, or 1.6%, for the three months ended September 30, 2009 when compared to the same period in 2008. The average balance of securities available for sale decreased \$33.4 million, or 3.0%, for the three months ended September 30, 2009 when compared to the same period in 2008. The average balance of securities held to maturity increased \$13.5 million, or 9.1%, for the three months ended September 30, 2009, compared to the same period in 2008. The average total securities portfolio represents 24.8% of total average earning assets for the three months ended September 30, 2009, down from 25.7% for the same period in 2008.

Average total earning securities decreased \$33.5 million, or 2.6%, for the nine months ended September 30, 2009 when compared to the same period in 2008. The average balance of securities available for sale decreased \$26.8 million, or 2.4%, for the nine months ended September 30, 2009 when compared to the same period in 2008. The average balance of securities held to maturity decreased \$6.7 million, or 4.4%, for the nine months ended September 30, 2009, compared to the same period in 2008. The average total securities portfolio represents 24.7% of total average earning assets for the nine months ended September 30, 2009, down from 26.1% for the same period in 2008.

The following table details the composition of securities available for sale, securities held to maturity and regulatory investments for the periods indicated:

	September 30, 2009	December 31, 2008
Mortgage-backed securities:		
With maturities 15 years or less	18%	22%
With maturities greater than 15 years	5%	6%
Collateral mortgage obligations	25%	29%
Municipal securities	23%	20%
US agency notes	24%	17%
Other	5%	6%
Total	100%	100%

Our mortgage backed securities, U.S. agency notes, and collateralized mortgage obligations are all “prime/conforming” and are guaranteed by Fannie Mae, Freddie Mac, Federal Home Loan Bank, Federal Farm Credit Banks, or Ginnie Mae (“GNMA”). GNMA securities are considered equivalent to U.S. Treasury securities, as they are backed by the full faith and credit of the U.S. government. Currently, there are no subprime mortgages in our investment portfolio.

Loans and Leases

A summary of loans and leases, net of deferred fees and origination costs, by category for the periods indicated follows:

<i>(In thousands)</i>	September 30, 2009	December 31, 2008
Residential real estate mortgages	\$ 638,001	\$ 722,723
Commercial	545,001	572,059
Commercial real estate mortgages	683,623	669,720
Real estate construction and development	77,391	67,859
Agricultural and agricultural real estate mortgages	122,691	113,566
Consumer	870,766	795,123
Home equity	609,571	627,603
Lease financing	68,846	83,258
Total loans and leases	\$ 3,615,890	\$ 3,651,911

Total loans and leases decreased nominally to \$3.6 billion, or 65.9% of assets, at September 30, 2009 compared to \$3.7 billion, or 68.4% of assets at December 31, 2008. Residential real estate mortgages decreased by approximately \$84.7 million, or 11.7%, from December 31, 2008 to September 30, 2009. This decrease is primarily due to an increase in refinancing activity in the low rate environment and increased sales by the Company of newly originated loans to secondary markets. Home equity loans decreased by approximately \$18.0 million, or 2.9%, from December 31, 2008 to September 30, 2009 as the Company decreased home equity loan originations in the first nine months of 2009. Consumer loans increased by approximately \$75.6 million, or 9.5%, from December 31, 2008 to September 30, 2009 as the Company continued to grow its indirect installment loan portfolio due to an increase in market share as competitors drop out of the market.

Allowance for Loan and Lease Losses, Provision for Loan and Lease Losses, and Nonperforming Assets

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 using a methodology designed to ensure the level of the allowance reasonably reflects the loan 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 degree of judgment exercised in evaluating the level of the allowance required to cover credit losses in the portfolio and the material effect that such judgments 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 factors 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 thorough current assessment of a number of factors, which could affect collectibility. These factors include: past loss experience; the size, trend, composition, and nature of the loans and leases; changes in lending policies and procedures, including underwriting standards and collection, charge-off and recovery practices; trends experienced in nonperforming and delinquent loans and leases; 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 judgment about information available to them at the time of their examination, which may not be currently available to management.

After a thorough consideration and validation of the factors discussed above, 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 the 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. The allowance for loan and lease losses to outstanding loans and leases at September 30, 2009 was 1.79% compared with 1.60% at December 31, 2008. Management considers the allowance for loan losses to be adequate based on evaluation and analysis of the loan portfolio.

Table 3 reflects changes to the allowance for loan and lease losses for the periods presented. The allowance is increased by provisions for losses charged to operations and is reduced by net charge-offs. Charge-offs are made when the ability to collect loan principal within a reasonable time becomes unlikely. Any recoveries of previously charged-off loans are credited directly to the allowance for loan and lease losses.

Table 3
Allowance For Loan and Lease Losses

(dollars in thousands)	September 30, 2009	Three months ended	
		September 30, 2008	
Balance, beginning of period	\$ 62,734	\$	54,510
Recoveries	1,253		807
Chargeoffs	(8,438)		(6,693)
Net chargeoffs	(7,185)		(5,886)
Provision for loan losses	9,101		7,179
Balance, end of period	\$ 64,650	\$	55,803
Composition of Net Chargeoffs			
Commercial and agricultural	\$ (2,837)	39%	\$ (3,414) 58%
Real estate mortgage	(64)	1%	(31) 1%
Consumer	(4,284)	60%	(2,441) 41%
Net chargeoffs	\$ (7,185)	100%	\$ (5,886) 100%
Annualized net chargeoffs to average loans and leases	0.79%		0.65%

Allowance For Loan and Lease Losses

(dollars in thousands)	September 30, 2009	Nine months ended	
		September 30, 2008	
Balance, beginning of period	\$ 58,564	\$	54,183
Recoveries	3,310		2,867
Chargeoffs	(21,975)		(20,707)
Net chargeoffs	(18,665)		(17,840)
Provision for loan losses	24,751		19,460
Balance, end of period	\$ 64,650	\$	55,803
Composition of Net Chargeoffs			
Commercial and agricultural	\$ (7,255)	39%	\$ (11,865) 67%
Real estate mortgage	(399)	2%	(183) 1%
Consumer	(11,011)	59%	(5,792) 32%
Net chargeoffs	\$ (18,665)	100%	\$ (17,840) 100%
Annualized net chargeoffs to average loans and leases	0.68%		0.67%

Nonperforming assets consist of nonaccrual loans, loans 90 days or more past due and still accruing, restructured loans, OREO, and nonperforming securities. Loans are generally placed on nonaccrual when principal or interest payments become ninety days past due, unless the loan is well secured and in the process of collection. Loans may also be placed on nonaccrual when circumstances indicate that the borrower may be unable to meet the contractual principal or interest payments. OREO represents property acquired through foreclosure and is valued at the lower of the carrying amount or fair value, less any estimated disposal costs. Nonperforming securities include securities which management believes are other-than-temporarily impaired, carried at their estimated fair value and are not accruing interest.

Nonperforming Assets

<i>(Dollars in thousands)</i>	September 30, 2009		December 31, 2008	
	Amount	%	Amount	%
Nonaccrual loans				
Commercial and agricultural loans and real estate	\$ 24,692	68%	\$ 15,891	66%
Real estate mortgages	4,463	13%	3,803	16%
Consumer	5,560	16%	3,468	14%
Troubled debt restructured loans	899	3%	1,029	4%
Total nonaccrual loans	35,614	100%	24,191	100%
Loans 90 days or more past due and still accruing				
Commercial and agricultural loans and real estate	794	22%	12	1%
Real estate mortgages	1,229	35%	770	33%
Consumer	1,520	42%	1,523	66%
Total loans 90 days or more past due and still accruing	3,543	100%	2,305	100%
Total nonperforming loans	39,157		26,496	
Other real estate owned (OREO)	3,319		665	
Total nonperforming assets	42,476		27,161	
Total nonperforming loans to total loans and leases	1.08%		0.73%	
Total nonperforming assets to total assets	0.77%		0.51%	
Total allowance for loan and lease losses to nonperforming loans	165.10%		221.03%	

Loans over 60 days past due but not over 90 days past due were 0.18% of total loans as of September 30, 2009, compared to 0.15% of total loans as of December 31, 2008. In addition to nonperforming loans, the Company has also identified approximately \$72.9 million in potential problem loans at September 30, 2009 as compared to \$95.4 million at December 31, 2008. Potential problem loans are loans that are currently performing, but known information about possible credit problems of the borrowers causes management to have serious doubts as to the ability of such borrowers to comply with the present loan repayment terms and which may result in classification of such loans as nonperforming at some time in the future. At the Company, potential problem loans are typically defined as loans that are performing but are classified by the Company's loan rating system as "substandard." At September 30, 2009, potential problem loans primarily consisted of commercial real estate and commercial and agricultural loans. 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 Company recorded a provision for loan and lease losses of \$9.1 million during the third quarter of 2009 compared with \$7.2 million during the third quarter of 2008. The increase in the provision for loan and lease losses for the three months ended September 30, 2009 was due primarily to an increase in net charge-offs which totaled \$7.2 million for the three month period ending September 30, 2009, up from \$5.9 million for the three months ending September 30, 2008, due primarily to a charge-off related to one large agricultural loan during the third quarter of 2009, as well as an increase in specific reserves on certain impaired loans and the change in economic conditions.. Net charge-offs to average loans and leases for the three months ended September 30, 2009 were 0.79%, compared with 0.66% for the three months ended September 30, 2008. The Company's allowance for loan and lease losses increased to 1.79% of loans and leases at September 30, 2009, compared with 1.60% at December 31, 2008, due to an increase in specific reserves on impaired loans. Specific reserves on impaired loans totaled \$3.8 million at September 30, 2009 and \$0.6 million at December 31, 2008.

The Company recorded a provision for loan and lease losses of \$24.8 million during the nine months ended September 30, 2009 compared with \$19.5 million during the nine months ended September 30, 2008. The increase in the provision for loan and lease losses for the nine months ended September 30, 2009 was due primarily to the aforementioned charge-off and an increase in specific reserves on certain impaired loans, along with the change in economic conditions. Net charge-offs totaled \$18.7 million for the nine month period ending September 30, 2009, up from \$17.8 million for the nine months ending September 30, 2008. Net charge-offs to average loans and leases for the nine months ended September 30, 2009 were 0.68%, compared with 0.67% for the nine months ended September 30, 2008.

Subprime mortgage lending, which has been the riskiest sector of the residential housing market, is not a market that the Company has ever actively pursued. The market does not apply a uniform definition of what constitutes “subprime” lending. Our reference to subprime lending relies upon the “Statement on Subprime Mortgage Lending” issued by the Office of Thrift Supervision and the other federal bank regulatory agencies, or the Agencies, on June 29, 2007, which further referenced the “Expanded Guidance for Subprime Lending Programs,” or the Expanded Guidance, issued by the Agencies by press release dated January 31, 2001. In the Expanded Guidance, the Agencies indicated that subprime lending does not refer to individual subprime loans originated and managed, in the ordinary course of business, as exceptions to prime risk selection standards. The Agencies recognize that many prime loan portfolios will contain such accounts. The Agencies also excluded prime loans that develop credit problems after acquisition and community development loans from the subprime arena. According to the Expanded Guidance, subprime loans are other loans to borrowers which display one or more characteristics of reduced payment capacity. Five specific criteria, which are not intended to be exhaustive and are not meant to define specific parameters for all subprime borrowers and may not match all markets or institutions’ specific subprime definitions, are set forth, including having a FICO score of 660 or below. Based upon the definition and exclusions described above, management believes that the Company is a prime lender. Within the loan portfolio, there are loans that, at the time of origination, had FICO scores of 660 or below. However, since the Company is a portfolio lender, it reviews all data contained in borrower credit reports and does not base underwriting decisions solely on FICO scores. We believe the aforementioned loans, when made, were amply collateralized and otherwise conformed to our prime lending standards. The Company has not originated Alt A loans or no interest loans.

Deposits

Total deposits were \$4.1 billion at September 30, 2009, up \$181.2 million, or 4.6%, from December 31, 2008. The increase in deposits compared with December 31, 2008 was driven primarily by increases in money market accounts, NOW, and demand deposit accounts, offset by a decrease in time deposits, and reflects the Company’s commitment to increase core deposits in 2009.

Total average deposits for the three months ended September 30, 2009 increased \$88.0 million, or 2.2%, from the same period in 2008. The Company experienced an increase in average money market accounts of \$245.4 million, or 31.5%, for the three months ended September 30, 2009 compared to the same period in 2008. Average NOW accounts increased \$90.6 million, or 18.4%, to \$582.3 million for the three months ended September 30, 2009 from \$491.7 million for the same period in 2008. This increase in average money market and NOW accounts was primarily due to a shift from time deposit accounts to money market accounts and NOW accounts due to a decline in interest rates offered on time deposits as a result of the decrease in the Fed Funds rate. Average savings accounts increased \$34.7 million, or 7.3%, for the three month period ending September 30, 2009 as compared to the same period in 2008. Average time deposits decreased \$313.0 million, or 20.7%, for the three months ended September 30, 2009 from the same period in 2008. Average demand deposit accounts increased \$30.3 million, or 4.3%, for the three months ended September 30, 2009 as compared to the same period in 2008. This was due primarily to an increasing customer base, as the Company continues to expand into new markets.

Total average deposits for the nine months ended September 30, 2009 increased \$137.5 million, or 3.5%, from the same period in 2008. The Company experienced an increase in average money market accounts of \$258.9 million, or 35.2%, for the nine months ended September 30, 2009 compared to the same period in 2008. Average NOW accounts increased \$107.1 million, or 23.1%, to \$571.5 million for the nine months ended September 30, 2009 from \$464.4 million for the same period in 2008. This increase in average money market and NOW accounts was primarily due to a shift from time deposit accounts to money market accounts and NOW accounts due to a decline in interest rates offered on time deposits as a result of the decrease in the Fed Funds rate. Average savings accounts increased \$27.7 million, or 5.9%, for the nine month period ending September 30, 2009 as compared to the same period in 2008. Average time deposits decreased \$286.4 million, or 18.4%, for the nine months ended September 30, 2009 from the same period in 2008. Average demand deposit accounts increased \$30.2 million, or 4.5%, for the nine months ended September 30, 2009 as compared to the same period in 2008. This was due primarily to an increasing customer base, as the Company continues to expand into new markets.

Borrowed Funds

The Company's borrowed funds consist of short-term borrowings and long-term debt. Short-term borrowings totaled \$147.8 million at September 30, 2009 compared to \$206.5 million at December 31, 2008. The Company has been in a Fed Funds sold position since March 2009 which has decreased reliance on short-term borrowings. Long-term debt was \$579.7 million at September 30, 2009, as compared to \$632.2 million at December 31, 2008. This decrease was mainly due to the repayment of a loan. For more information about the Company's borrowing capacity and liquidity position, see the section with the title caption of "Liquidity Risk" on page 42 of this report.

Capital Resources

Stockholders' equity of \$497.5 million represented 9.1% of total assets at September 30, 2009, compared with \$431.8 million, or 8.1% as of December 31, 2008. On April 1, 2009, the Company completed a public offering of 1,576,230 shares of its common stock and raised approximately \$33.5 million in net proceeds.

The Company did not purchase shares of its common stock during the nine month period ended September 30, 2009. At September 30, 2009, there were 1,000,000 shares available for repurchase under previously announced plans, which expire on December 31, 2009. On October 26, 2009, the Company's Board of Directors authorized a new repurchase program for NBT to repurchase up to an additional 1,000,000 shares (approximately 3%) of its outstanding common stock, effective January 1, 2010, as market conditions warrant in open market and privately negotiated transactions. The new plan expires on December 31, 2011.

The Board of Directors considers the Company's earnings position and earnings potential when making dividend decisions. The Company does not have a target dividend pay out ratio.

As the capital ratios in Table 4 indicate, the Company remains “well capitalized” under applicable bank regulatory requirements. Capital measurements are well in excess of regulatory minimum guidelines and meet the requirements to be considered well capitalized for all periods presented. Tier 1 leverage, Tier 1 capital and Risk-based capital ratios have regulatory minimum guidelines of 3%, 4% and 8% respectively, with requirements to be considered well capitalized of 5%, 6% and 10%, respectively.

Table 4

Capital Measurements	September 30, 2009	December 31, 2008
Tier 1 leverage ratio	8.30%	7.17%
Tier 1 capital ratio	11.20%	9.75%
Total risk-based capital ratio	12.46%	11.00%
Cash dividends as a percentage of net income	53.00%	44.27%
Per common share:		
Book value	\$ 14.49	\$ 13.24
Tangible book value	\$ 10.52	\$ 9.01

Table 5 presents the high, low and closing sales price for the common stock as reported on the NASDAQ Stock Market, and cash dividends declared per share of common stock. The Company's price to book value ratio was 1.56 at September 30, 2009 and 2.31 in the comparable period of the prior year. The Company's price was 14.1 times trailing twelve months earnings at September 30, 2009, compared to 18.2 times for the same period last year.

Table 5

Quarterly Common Stock and Dividend Information

Quarter Endings	High	Low	Close	Cash Dividends Declared
2009				
March 31	\$ 28.37	\$ 15.42	\$ 21.64	\$ 0.20
June 30	25.22	20.49	21.71	0.20
September 30	24.16	20.57	22.54	0.20
2008				
March 31	\$ 23.65	\$ 17.95	\$ 22.20	\$ 0.20
June 30	25.00	20.33	20.61	0.20
September 30	36.47	19.05	29.92	0.20
December 31	30.83	21.71	27.96	0.20

On October 26, 2009, the Company announced the declaration of a regular quarterly cash dividend of \$0.20 per share. The cash dividend will be paid on December 15, 2009 to stockholders of record as of December 1, 2009.

Liquidity and Interest Rate Sensitivity Management

Market Risk

Interest rate risk is the primary 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. 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 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 with static balance sheets: (1) a gradual increase of 200 bp, (2) and a gradual decrease of 100 bp taking 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 at a faster rate than interest bearing liabilities. The inability to effectively lower deposit rates will likely reduce or eliminate the 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. If short-term rates continue to increase, the Company expects competitive pressures will likely lead to core deposit pricing increases, which will likely continue compression of the net interest margin.

Net interest income for the next 12 months in the + 200/- 100 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 September 30, 2009 balance sheet position:

Table 6
Interest Rate Sensitivity Analysis

Change in interest rates (in bp points)	Percent change in net interest income
+200	(1.46%)
-100	(1.00%)

The Company has taken several measures to mitigate exposure to an upward rate scenario. The Company has extended short term wholesale borrowings (three months or less) into longer term borrowings with maturities of three, four and five years along with purchasing monthly floating rate investments. In addition, the Company will continue to focus on growing noninterest bearing demand deposits and prudently managing deposit costs. Lastly, the Company originates 15-year, 20-year and 30-year residential real estate mortgages with the intent to sell.

Liquidity and 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 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 the 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 September 30, 2009, the Company's Basic Surplus measurement was 7.6% of total assets or \$419 million as compared to the December 31, 2008 Basic Surplus of 6.6%, and was above the Company's minimum of 5% or \$274 million set forth in its liquidity policies. Since March 2009, the Company has been in a Fed Funds sold position as a result of excess liquidity.

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.

The Company's primary source of funds is the Bank. Certain restrictions exist regarding the ability of the 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 September 30, 2009, approximately \$47.7 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 is also 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 General Corporation Law, the Company may declare and pay dividends either out of accumulated net retained earnings or capital surplus.

At September 30, 2009 and December 31, 2008, FHLB advances outstanding totaled \$551 million and \$601 million, respectively. The Bank is a member of the FHLB system and had additional borrowing capacity from the FHLB of approximately \$198 million at September 30, 2009 and \$230 million at December 31, 2008. In addition, unpledged securities could have been used to increase borrowing capacity at the FHLB by an additional \$123 million at September 30, 2009 or used to collateralize other borrowings, such as repurchase agreements. At September 30, 2009 the Bank also had additional borrowing capacity from unused collateral at the Federal Reserve of \$454 million.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Information called for by Item 3 is contained in the Liquidity and Interest Rate Sensitivity Management section of the Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 4. Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of September 30, 2009. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2009, the Company's disclosure controls and procedures were effective.

There were no changes made in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1 – Legal Proceedings

There are no material 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 any of their property is subject.

Item 1A – Risk Factors

Management of the Company does not believe there have been any material changes in the risk factors that were disclosed in the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 11, 2009, which superseded and replaced the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3 – Defaults Upon Senior Securities

None

Item 4 – Submission of Matters to a Vote of Security Holders

None

Item 5 – Other Information

None

Item 5.02(b)

As a result of a special election held on November 3, 2009, director William L. Owens was elected to the United States House of Representatives to represent the 23rd Congressional District of New York. Mr. Owens was subsequently sworn in as a member of the House of Representatives on November 6, 2009. As a result of the election, Mr. Owens resigned from his position as a member of the Board of Directors of the Company effective November 5, 2009.

Item 5.02(e)

Amended Employment Agreements of Certain Named Executive Officers

On November 5, 2009, the Company entered into amended and restated employment agreements with Martin A. Dietrich, President and Chief Executive Officer of the Company and NBT Bank, N.A. (the "Bank"), Michael J. Chewens, Senior Executive Vice President and Chief Financial Officer of the Company and the Bank, and David E. Raven, Executive Vice President of the Company and President and Chief Executive Officer of Pennstar Bank, a division of the Bank (the "Amended Employment Agreements").

The Amended Employment Agreements amend and restate the terms of the previously existing employment agreements, as amended, of each of Messrs. Dietrich, Chewens and Raven, which terms were amended by the Amended Employment Agreements to, among other things:

- allow the Company to cure an event or condition giving rise the executive's resignation for "good reason" (as such term is defined in the Amended Employment Agreement);
- provide that if an executive is terminated "without cause" (as such term is defined in the Amended Employment Agreement) or resigns for good reason, any payments received are conditioned upon the executive executing a separation agreement and release;

- provide that the executive, for a period of one year following the Termination Date (as defined in the Amended Employment Agreement), shall not become an officer, employee, consultant, director or trustee of any saving bank, savings and loan association, savings and loan holding company, bank or bank holding company, where such position entails providing services to such company in any city, town or county where the Company or the Bank or their affiliates has an office, where the executive's position or service for such company is competitive with or similar to the executive's position or service with the Company or the Bank (the "Non-Compete Clause"); and
- require that, if the Company prepares an accounting restatement due to the material noncompliance of the Company, as a result of misconduct, with regard to any financial reporting under the securities laws, and the executive is subject to automatic forfeiture under the Sarbanes-Oxley Act of 2002, and he knowingly engaged in misconduct, was grossly negligent in engaging in the misconduct, knowingly failed to prevent the misconduct or was grossly negligent in failing to prevent the misconduct, the executive shall reimburse the Company for the amount of any payment earned or accrued during the 12-month period following the first public issuance or filing with the Securities and Exchange Commission of the financial document that contained such material noncompliance (the "SOX Clawback Clause"). In addition, if the Company is required to prepare an accounting restatement, the executive will forfeit any payments made based on the achievement of pre-established performance goals that are later determined, as a result of the accounting restatement, not to have been achieved (the "Bonus Clawback Clause," and together with the SOX Clawback Clause, the "Clawback Clause").

A description of the other material terms of the employment arrangements of each of Messrs. Dietrich, Chewens and Raven, which were restated but not modified by the Amended Employment Agreements, is included in the Company's definitive proxy statement for its 2009 annual meeting of stockholders filed with the Securities and Exchange Commission (the "SEC") on March 31, 2009.

The foregoing summary of the Amended Employment Agreements does not purport to be complete and is qualified in its entirety by reference to the Amended Employment Agreements of each of Messrs. Dietrich, Chewens and Raven, copies of which are filed with this Quarterly Report on Form 10-Q as Exhibits 10.1, 10.2 and 10.3, respectively, and are incorporated herein by reference.

Jeffrey M. Levy Employment Agreement

On November 5, 2009, the Company entered into an employment agreement (the "Levy Employment Agreement") with Mr. Jeffrey M. Levy, Executive Vice President of the Company and President of Commercial Banking of the Bank, which replaces a previous employment agreement that Mr. Levy entered into in April 2007.

In addition to an annual base salary of \$250,000, the Levy Employment Agreement provides that Mr. Levy will be eligible to be considered for a performance bonus commensurate with Mr. Levy's title and salary grade in accordance with the compensation policies of the Company, and provides for the ability to participate in stock benefit plans and other fringe benefits applicable to executive personnel. The Levy Employment Agreement will terminate upon the earlier to occur of the executive's death, disability, discharge for "cause," resignation, termination "without cause" (as such terms are defined in the Levy Employment Agreement) or January 1, 2012. The Levy Employment Agreement also provides for an automatic one-year extension occurring annually on each January 1.

Upon termination of the Levy Employment Agreement, Mr. Levy is entitled to receive accrued and unpaid salary, accrued rights under our employee plans and arrangements, unpaid expense reimbursements and the cash equivalent of accrued annual vacation. Additionally, if Mr. Levy's employment is terminated by us other than for cause, or by Mr. Levy for "good reason" (as such term is defined in the Levy Employment Agreement), then, upon execution of a separation agreement and release, Mr. Levy will be entitled to receive (i) his base salary in a manner consistent with our normal payroll practices for a period of between two to three years following the termination date, depending on the date Mr. Levy was terminated, and (ii) a relocation payment if he relocates within 18 months after termination of employment from the Albany, New York area, such relocation payment to include a make-whole payment and related gross-up tax payment if he sells his primary residence at a loss. If Mr. Levy is terminated due to a change of control covered by his change in control agreement, as described below, Mr. Levy will be entitled to receive his accrued and unpaid salary, accrued rights under our employee plans and arrangements, unpaid expense reimbursements, the cash equivalent of his accrued annual vacation, a relocation payment and the severance payments determined under his change in control agreement.

Under the Levy Employment Agreement, during the term of his employment, Mr. Levy may not disclose confidential information about the Company or its subsidiaries to any other person or entity. Mr. Levy has also agreed to a Non-Compete Clause and Clawback Clause, each in the form substantially as described above in connection with the Amended Employment Agreements.

The foregoing summary of the Levy Employment Agreement does not purport to be complete and is qualified in its entirety by reference to the Levy Employment Agreement, a copy of which is filed with this Quarterly Report on Form 10-Q as Exhibit 10.4 and is incorporated herein by reference.

Change in Control Agreements of Certain Named Executive Officers

On November 5, 2009, the Company entered into amended and restated change in control agreements with each of Messrs. Dietrich, Chewens, Raven and Levy (the "Amended Change in Control Agreements").

The Amended Change in Control Agreements amend and restate the terms of the previously existing change in control agreements of each of Messrs. Dietrich, Chewens, Raven and Levy, which terms were amended by the Amended Change in Control Agreements to, among other things:

- clarify the circumstances under which each executive would receive a gross-up payment to compensate for the imposition of any excise taxes under section 4999 of the Code; and
- insert a Clawback Clause applicable to any payments received under the Amended Change in Control Agreement, in substantially the same form as described above in connection with the Amended Employment Agreements.

A description of the other material terms of the change in control arrangements of each of Messrs. Dietrich, Chewens, Raven and Levy, which were not modified by the Amended Change in Control Agreements, is included in the Company's definitive proxy statement for its 2009 annual meeting of stockholders filed with the SEC on March 31, 2009.

The foregoing summary of the Amended Change in Control Agreements does not purport to be complete and is qualified in its entirety by reference to the form of Amended Change in Control Agreement, a copy of which is filed with this Quarterly Report on Form 10-Q as Exhibit 10.5, and is incorporated herein by reference.

Amendment to Split-Dollar Agreement

On November 5, 2009, the Company entered into the First Amendment to Split-Dollar Agreement (the “Split-Dollar Amendment”) with the Bank, and the Bank, in its capacity as corporate trustee for the Martin A. Dietrich Irrevocable Life Insurance Trust No. 1 (the “Trust”), which amended the Split Dollar Agreement by and among the Company, the Bank, and the Bank, as corporate trustee for the Trust. The Split-Dollar Amendment clarifies when the Bank may terminate the Split-Dollar Agreement. The foregoing summary of the Split-Dollar Amendment does not purport to be complete and is qualified in its entirety by reference to the Split-Dollar Amendment, a copy of which is filed with this Quarterly Report on Form 10-Q as Exhibit 10.6, and is incorporated herein by reference.

Supplemental Retirement Benefit

On November 5, 2009, the Company amended and restated its Supplemental Retirement Agreements (the “Amended SERPs”) with each of Messrs. Dietrich, Chewens and Raven to comply with Section 409A of the Code. A description of the other material terms of the SERPs of each of Messrs. Dietrich, Chewens and Raven, which were restated but not modified by the Amended SERPs, is included in the Company’s definitive proxy statement for its 2009 annual meeting of stockholders filed with the SEC on March 31, 2009. The foregoing summary of the Amended SERPs does not purport to be complete and is qualified in its entirety by reference to the form of Amended SERP, a copy of which is filed with this Quarterly Report on Form 10-Q as Exhibit 10.7, and is incorporated herein by reference.

Item 6 – Exhibits

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, 2008, filed on March 2, 2009 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, 2008, filed on March 2, 2009 and incorporated herein by reference).

3.3 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 4.3 to the Registrant's Amendment No. 1 to Registration Statement on Form S-4 filed on December 27, 2005 and incorporated herein by reference).

4.2 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).

10.1 Employment Agreement, dated November 5, 2009, by and between Martin A. Dietrich and NBT Bancorp Inc.

10.2 Employment Agreement, dated November 5, 2009, by and between Michael J. Chewens and NBT Bancorp Inc.

10.3 Employment Agreement, dated November 5, 2009, by and between David E. Raven and NBT Bancorp Inc.

10.4 Employment Agreement, dated November 5, 2009, by and between Jeffrey M. Levy and NBT Bancorp Inc.

10.5 Form of Change in Control Agreement, dated November 5, 2009, by and between NBT Bancorp Inc. and certain executive officers.

10.6 First Amendment to Split-Dollar Agreement, dated November 5, 2009, by and between NBT Bancorp Inc. and NBT Bank N.A.

10.7 Form of Amended and Restated NBT Bancorp Inc. Supplemental Retirement Agreement, dated as of November 5, 2009, between NBT Bancorp Inc. and certain executive officers.

31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Written Statement of the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Written Statement of the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, this 9th day of November 2009.

NBT BANCORP INC.

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

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EMPLOYMENT AGREEMENT

This **EMPLOYMENT AGREEMENT** (the "Agreement") made and entered into this first day of January 2005, and amended and restated as of November 5, 2009, 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 is president and chief executive officer of NBT Bank, National Association, a wholly-owned subsidiary of NBTB ("NBT Bank"), and president and chief executive officer of NBTB and as of May 2005 a director 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 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 in the capacities delineated above, and of any successor organization to NBTB or NBT Bank, as applicable, during the Term of Employment (as defined in Section 2 below). 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 chairman of the board 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 chairman of the board of NBTB, render services in any capacity, whether 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 in compliance with any NBTB limits or policies, 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) January 1, 2010, provided, however, that on January 1, 2007 and on each January 1 thereafter, the remaining Term of Agreement shall be extended one additional year (to a total of three years);

(ii) the death of Executive;

(iii) Executive's inability to perform his duties hereunder, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; 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 executive officer of NBT Bank and president and chief executive officer of NBTB 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 material reduction in duties, responsibilities or position other than for "Cause," or a material decrease in the amount or level of Executive's salary or benefits from the amount or level established in section 3 hereof. Notwithstanding the foregoing, if there exists (without regard to this sentence) an event or condition that constitutes Good Reason, NBTB shall have thirty (30) days from the date on which Executive gives the written notice thereof to cure such event or condition (such notice to be given from Executive within ninety (90) days from the date the event or condition first occurs) and, if NBTB does so, such event or condition shall cease to constitute Good Reason thirty (30) days after the end of the cure period.

A Termination Date shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and, for purposes of any such provision of this Agreement, any references to a "termination," "termination of employment" or like terms shall mean a "separation from service."

(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 in consideration for Executive's covenant not to compete and other post-termination obligations, 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 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, and upon execution of a Separation Agreement and Release in substantially the form attached hereto, which shall be incorporated by reference into this Agreement and become part hereof, Executive shall be entitled to receive the following:

(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, on a monthly basis; 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 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 the payment made to Executive under (C) shall be paid an additional amount (the "Gross-Up") such that the net amount retained by 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 after giving consideration to the deductibility of state taxes for federal income taxes. 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 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, 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"), 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 Executive under (A), (B), and (C) above; and
- (2) with regard to amounts due but not yet paid by the Company to Executive, Executive shall notify the Company of any amounts received or due from the Third Party, and Executive agrees that the Company shall reduce the amount due under (A), (B), and (C) above by the amount Executive has been paid or is entitled to be paid by the Third Party up to the amount due Executive from the Company.

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, 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.

(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 sections 1(b) and 3 of the change-in-control letter agreement dated July 23, 2001, as amended effective as of November 5, 2009, 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 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 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 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 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, Executive agrees:

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

(e) Notwithstanding any other payment schedule provided herein to the contrary, if Executive is deemed on the Termination Date a "specified employee" within the meaning of that term under Code Section 409A(a)(2)(B), then each of the following shall apply:

(i) With regard to any payment that is considered deferred compensation under Code Section 409A payable on account of a "separation from service," such payment shall be made on the date which is the earlier of (A) the expiration of the six (6) month period measured from the date of Executive's "separation from service", and (B) the date of Executive's death (the "Delay Period") to the extent required under Code Section 409A. Upon the expiration of the Delay Period, all payments delayed pursuant to this Section (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid to Executive in a lump sum, and all remaining payments due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein; and

(ii) To the extent that any benefits to be provided during the Delay Period is considered deferred compensation under Code Section 409A provided on account of a "separation from service," and such benefits are not otherwise exempt from Code Section 409A, Executive shall pay the cost of such benefits during the Delay Period, and the Company shall reimburse Executive, to the extent that such costs would otherwise have been paid by the Company or to the extent that such benefits would otherwise have been provided by the Company at no cost to Executive, the Company's share of the cost of such benefits upon expiration of the Delay Period, and any remaining benefits shall be reimbursed or provided by the Company in accordance with the procedures specified herein.

(f) To the extent that severance payments or benefits pursuant to this Agreement are conditioned upon the execution and delivery by Executive of a release of claims, Executive shall forfeit all rights to such payments and benefits unless such release is signed and delivered (and no longer subject to revocation, if applicable) within sixty (60) days following the date of Executive's Termination Date. If the foregoing release is executed and delivered and no longer subject to revocation as provided in the preceding sentence, payments or benefits shall commence upon the first scheduled payment date immediately after the date the release is executed and no longer subject to revocation (the "Release Effective Date"). The first such cash payment shall include payment of all amounts that otherwise would have been due prior to the Release Effective Date under the terms of this Agreement applied as though such payments commenced immediately upon Executive's Termination Date, and any payments made thereafter shall continue as provided herein. The delayed benefits shall in any event expire at the time such benefits would have expired had such benefits commenced immediately following Executive's Termination Date.

The Company may provide, in its sole discretion, that Executive may continue to participate in any benefits delayed pursuant to this section during the period of such delay, provided that Executive shall bear the full cost of such benefits during such delay period. Upon the date such benefits would otherwise commence pursuant to this Section, the Company may reimburse Executive the Company's share of the cost of such benefits, to the extent that such costs would otherwise have been paid by the Company or to the extent that such benefits would otherwise have been provided by the Company at no cost to Executive, in each case had such benefits commenced immediately upon Executive's Termination Date. Any remaining benefits shall be reimbursed or provided by the Company in accordance with the schedule and procedures specified herein.

(iii) For purposes of Code Section 409A, Executive's right to receive any installment payment pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments.

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 no less than four hundred fifty thousand dollars (\$450,000) and subject to annual adjustments based on recommendations from the NBTB Compensation and Benefits Committee that are in line with compensation for comparable positions in companies of similar size and structure but in no case less than \$450,000.00. The 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 Executive's title and salary grade, in accordance with the compensation policies of NBTB with respect to executive personnel in effect as of the Commencement Date 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 as of the Commencement Date 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, restricted stock or stock units, 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) Equity Awards. Executive will be eligible for awards under NBTB's Omnibus Incentive 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 applicable to officers of Executive's rank employed by NBTB or its affiliates and 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 five 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 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) Club Dues. During the Term of Employment, Executive shall be reimbursed for dues and assessments incurred in relation to Executive's membership at clubs mutually agreed upon by NBTB and Executive. Executive shall be responsible for any income taxes associated with the personal use of such club membership.

(g) Withholding. All compensation to be paid to Executive hereunder shall be subject to applicable federal, state, and local taxes and all other required withholdings. Executive hereby acknowledges and agrees that he is responsible for all taxes in connection with any benefits, fringe benefits, or perquisites provided under this Agreement and he is not entitled to a Gross Up, except as specifically provided under Paragraph 2(c)(iii) or 2(d)(iv) of this Agreement, or as may be provided under the terms of the Change-in-Control Agreement.

(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 by NBTB, 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. All expenses or other reimbursements under this Agreement shall be made on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by Executive (provided that if any such reimbursements constitute taxable income to Executive, such reimbursements shall be paid no later than March 15th of the calendar year following the calendar year in which the expenses to be reimbursed were incurred), and no such reimbursement or expenses eligible for reimbursement in any taxable year shall in any way affect the expenses eligible for reimbursement in any other taxable year.

4. Confidential Business Information; Non-Competition.

(a) Executive acknowledges that certain business methods, creative techniques, and technical data of NBTB, NBT Bank, and any of their 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, (collectively, "Confidential Information"). In this regard, NBTB asserts proprietary rights in all of its Confidential 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 acknowledges that in connection with his employment with NBTB, Executive has had or may have access to such Confidential Information, and he 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 Information obtained during the course of his employment by NBTB. In the event that disclosure is required by law, regulation, or order of a court or government authority, Executive agrees that as soon as practical and in any event no later than 30 days after receiving notice that Executive is required to make such disclosure, Executive will provide notice to the Company of such requirement by law, order of a court or government authority. This Section 4(a) 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 Confidential Information in his position, whether tangible, electronic or intangible in form.

(b) Executive acknowledges that in the course of employment with NBTB, Executive has had access to and gained knowledge of the trade secrets and other Confidential Information of NBTB, NBT Bank, or their affiliates; has had substantial relationships with the customers of NBTB, NBT Bank, or their affiliates; and has performed services of special, unique, and extraordinary value to NBTB, NBT Bank, or their affiliates. Therefore, Executive agrees that notwithstanding the termination of this Agreement for any reason, from the Commencement Date until the first anniversary of the Termination Date, the Executive shall not, directly or indirectly, on behalf of himself or any other person or entity, without the written consent of NBTB:

(i) become an officer, employee, consultant, director, or trustee of any savings bank, savings and loan association, savings and loan holding company, bank or bank holding company, where such position entails providing services to such company in any city, town, or county in which NBTB or NBT Bank or their affiliates has an office, determined as of the Termination Date, where Executive's position or service for such business is competitive with or otherwise similar to any of Executive's positions or services for NBTB or NBT Bank;

(ii) induce or solicit any customer, supplier, or agent of NBTB, NBT Bank, or their affiliates about whom Executive has gained Confidential Information or with whom Executive, by virtue of his/her employment with NBTB, has established a relationship or had frequent contact, to terminate or curtail an existing business or commercial relationship with NBTB, NBT Bank, or their affiliates;

(iii) induce or solicit any customer or supplier of NBTB, NBT Bank, or their affiliates about whom Executive has gained Confidential Information or with whom Executive, by virtue of his/her employment with NBTB, has established a relationship or had frequent contact, to provide or purchase goods or services similar to the goods or services provided by it to or purchased by it from NBTB, NBT Bank, or their affiliates; provided however, that the provisions of this clause (iii) only apply to those persons or entities who are customers or suppliers of NBTB, NBT Bank, or their affiliates as of the Termination Date or who were customers of NBTB, NBT Bank, or their affiliates during the one-year period prior to the Termination Date; or

(iv) solicit, induce, recruit, offer employment to, hire, or take any other action intended, or that a reasonable person acting in like circumstances would expect, to have the effect of causing any officer or employee of NBTB, NBT Bank, or their affiliates, to terminate his or her employment.

(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 NBT Bank or their 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:

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. 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 and any other agreements expressly incorporated by reference herein constitute 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 NBTB 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. 409A Compliance. The intent of the parties is that payments and benefits under this Agreement comply with Code Section 409A and the regulations and guidance promulgated thereunder and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. In no event whatsoever shall NBTB be liable for any additional tax, interest or penalty that may be imposed on Executive by Code Section 409A or damages for failing to comply with Code Section 409A. Notwithstanding any other provision of this Agreement to the contrary, in no event shall any payment under this Agreement that constitutes "deferred compensation" for purposes of Code Section 409A be subject to offset, counterclaim or recoupment by any other amount payable to the Executive unless otherwise permitted by Code Section 409A.

13. 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 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 Chenango County, 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.

14. 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.

15. Company Right to Recover. If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company as a result of misconduct, with regard to any financial reporting requirement under the securities laws, and Executive is subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002 and Executive knowingly engaged in the misconduct, was grossly negligent in engaging in the misconduct, knowingly failed to prevent the misconduct or was grossly negligent in failing to prevent the misconduct, Executive shall reimburse the Company the amount of any payment earned or accrued during the 12-month period following the first public issuance or filing with the United States Securities and Exchange Commission (whichever first occurred) of the financial document that contained such material noncompliance.

Notwithstanding anything in this Agreement, if the Company is required to prepare an accounting restatement, Executive will forfeit any payments made based on the achievement of pre-established performance goals that are later determined, as a result of the accounting restatement, not to have been achieved.

16. 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.

17. 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

MARTIN A. DIETRICH

/S/ Martin A. Dietrich

SEPARATION AGREEMENT AND RELEASE

I. In consideration of receipt and acceptance of the separation payments described in the Employment Agreement and listed on Appendix A between NBT BANCORP INC. ("NBTB") and Martin A. Dietrich ("Executive"), dated November 5, 2009 (the "Employment Agreement"), into which this Separation Agreement and Release ("Separation Agreement") is incorporated by reference, Executive, on behalf of himself and his agents, heirs, executors, administrators, successors, and assigns, unconditionally and generally releases NBTB and NBT Bank, National Association ("NBT Bank"), their respective current and former owners, officers, directors, parents, affiliates, subsidiaries, related entities, agents and employees, and the heirs, executors, administrators, successors and assigns of all of the foregoing (collectively, "Releasee"), from or in connection with, and Executive hereby waives and/or settles, with prejudice, any and all complaints, causes of action, suits, controversies, or any liability, claims, demands, or damages, known or unknown and of any nature whatsoever and which Executive ever had, now has or shall or may have as of [], the date of this Separation Agreement including without limitation, those arising directly or indirectly pursuant to or out of any aspect of Executive's employment or termination from employment with NBTB, NBT Bank or any other Releasee.

II. Specifically, without limitation of the foregoing, the release and waiver of claims under this Separation Agreement shall include and apply to any rights and/or claims (i) arising under any contract or employment arrangement, express or implied, written or oral; (ii) for wrongful dismissal or termination of employment; (iii) arising under any applicable federal, state, local or other statutes, laws, ordinances, regulations or the like, or case law, that relate to employment or employment practices and/or specifically, that prohibit discrimination based upon age, race, religion, sex, national origin, disability or any other unlawful bases, including without limitation, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act of 1990, the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the Civil Rights Act of 1866, the Equal Pay Act of 1963, the Family Medical Leave Act of 1993, the Fair Labor Standards Act, the Employee Retirement Income Security Act of 1974, Executive Order 11246, the Worker Adjustment and Retraining Notification Act, all as amended, and any other statutes, orders, laws, ordinances, regulations applicable to Employee's employment, of any state or city in which any Releasee is subject to jurisdiction, and/or any political subdivision thereof; (iv) based upon any other federal, state or local statutes, orders, laws, ordinances, regulations, case law, public policy, or common law or the like; (v) concerning recruitment, hiring, discharge, promotions, transfers, employment status, right to reemployment, wages, bonus or incentive pay, severance pay, stock or stock options, employment benefits (including, without limitation, sick or other leave, medical, disability, life, or any other insurance, 401(k), pension, other retirement plans or benefits, or any other fringe benefits), workers' compensation, intentional or negligent misrepresentation and/or infliction of emotional distress, interference with contract, fraud, libel, slander, defamation, invasion of privacy or loss of consortium, together with any and all tort, contract, or other claims which have been or might have been asserted by Executive or on his behalf in any suit, charge of discrimination, or claim against the Releasee; and (vi) for damages, including without limitation, punitive or compensatory damages, or for attorneys' fees, expenses, costs, wages, injunctive or equitable relief.

III. Executive expressly understands and acknowledges that it is possible that unknown losses or claims exist or that present losses may have been underestimated in amount or severity, and Executive explicitly took that into account in determining the amount of consideration to be paid for the giving of the release in this Separation Agreement, and a portion of said consideration and the mutual covenants were given in exchange for a full satisfaction and discharge of such claims.

IV. Executive and NBT Bank acknowledge that the above release and waiver of claims shall not apply to the obligation of NBT Bank to make payments (if any) of any vested benefit under NBT Bank's tax-qualified employee benefit plans nor to Executive's right to continue healthcare insurance under the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985.

V. Executive represents and warrants that he has not filed or commenced any complaints, claims, actions or proceeding of any kind against any Releasee with any federal, state or local court or any administrative or regulatory body. Except for Executive's right to bring a proceeding pursuant to the Older Workers Benefit Protection Act to challenge the release of claims in this Separation Agreement, and consistent with the EEOC Enforcement Guidance On Non-Waivable Employee Rights Under EEOC-Enforced Statutes dated April 11, 1997, and otherwise to the fullest extent permitted by law, Executive agrees not to commence or participate as a party in any proceeding in any court or forum against any Releasee which is based upon any act, omission or occurrence up to and including the date of the execution of this Separation Agreement. Executive further agrees not to encourage or participate in any action or proceeding brought by any person (except a government agency) against any Releasee. In the event any government agency seeks to obtain any relief on behalf of Executive with regard to any claim released by Executive, Executive agrees not to accept any relief or award from such proceeding.

VI. This Separation Agreement is not and shall not be construed as an admission by any Releasee or Executive of any wrongdoing or illegal acts or omissions and each party expressly denies that they engaged in any wrongdoing or illegal or acts or omissions. Executive shall not, except as may be required by law, make any oral or written negative, disparaging or adverse statements, suggestions or representations of or concerning NBT Bank or any Releasee.

VII. Executive agrees to cooperate reasonably with and to be readily available to NBT Bank to assist in any matter, including government agency investigations, court litigation or potential litigation, about which Executive may have knowledge. If Executive receives a subpoena or other legal process relating in any way to same, Executive immediately will provide NBT Bank notice of the contact or the service of such subpoena or other legal process, and shall cooperate with NBT Bank in responding.

VIII. Except as prohibited by law, each Releasee shall be excused from any obligation to make payment of the separation payments in the Employment Agreement in the event that paragraphs I through IV of this Separation Agreement are determined to be void or unenforceable, in whole or in part; or Executive is found to have made a material misstatement in any term, condition, representation or acknowledgement in this Separation Agreement, in either of which event Executive shall also be liable for any damages and costs suffered or incurred by any Releasee by reason of such misstatement or breach.

IX. This Separation Agreement shall be incorporated by reference into the Employment Agreement and shall be made a part thereof.

X. Executive agrees and acknowledges that:

(a) With respect to the General Release in Section II hereof, Executive agrees and understands that he is specifically releasing all claims under the Age Discrimination in Employment Act, as amended, 29 U.S.C. § 621 et seq. Executive acknowledges that he has read and understands this Agreement and executes it voluntarily and without coercion;

(b) Executive has been advised by NBT Bank to consult with an attorney before executing this Separation Agreement and has been given twenty-one (21) days to review this Separation Agreement and to consider whether to sign this Separation Agreement. Executive may elect to sign this Separation Agreement prior to the expiration of the twenty-one day consideration period specified herein, and Executive agrees that if he elects to do so, such election is knowing and voluntary and comes after full opportunity to consult with an attorney;

(c) Executive has the right to revoke this Separation Agreement within the seven (7) day period following the date Executive signs this Separation Agreement (the "Revocation Period") and any revocation shall be made by providing a signed notice in writing, delivered personally or by fax to the Human Resources Director at NBT Bancorp, 52 South Broad Street, Norwich, New York, 13815 no later than 5:00 p.m. on the seventh calendar day following his execution of this Separation Agreement;

(d) This Separation Agreement will not be effective or enforceable, and the separation payments under the Employment Agreement are not required and shall not be delivered or paid, until Executive has delivered a signed, notarized original of this Separation Agreement to the Human Resources Director at NBT Bancorp, 52 South Broad Street, Norwich, New York, 13815 and the Revocation Period has expired without revocation of this Separation Agreement. It is not necessary that any Releasee sign this Separation Agreement following Executive's full and complete execution of it for it to become fully effective and enforceable;

(e) Executive relied solely on his own judgment and/or that of this attorney regarding the consideration for and the terms of this Separation Agreement and is signing this Separation Agreement knowingly and voluntarily of his own free will;

(f) Executive is not entitled to the separation payments under the Employment Agreement unless he agrees to and honors the terms of the terms of this Separation Agreement; and

(g) Executive has read and understands this Separation Agreement and further understands that, subject to the limitations contained herein, it includes a general release of any and all known and unknown, foreseen or unforeseen claims presently asserted or otherwise arising through the date of his signing of this Separation Agreement that he may have against any Releasee.

XI. Executive understands all of the terms of this Separation Agreement, and agrees that such terms are fair, reasonable and are not the result of any fraud, duress, coercion, pressure or undue influence exercised by or on behalf of any Releasee; and Executive has agreed to and entered into this Separation Agreement and all of its terms, knowingly, freely and voluntarily.

XII. There are no other agreements of any nature between any Releasee and Executive with respect to the matters discussed in this Separation Agreement with respect to the matters discussed in this Separation Agreement, except as expressly stated herein, and in signing this Separation Agreement, Executive is not relying on any agreements or representation, except those expressly contained in this Separation Agreement.

XIII. This Separation Agreement shall be governed by the laws of New York, excluding the choice of law rules thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Separation Agreement.

_____ Date _____
Martin A. Dietrich

STATE OF NEW YORK)
 : ss.:
COUNTY OF)

On the ____ day of _____, 20__, personally came Martin A. Dietrich and being duly sworn, acknowledged that he is the person described in and who executed the foregoing Separation Agreement and acknowledged that he executed same.

Notary Public

NBT BANCORP, INC.

By: _____ Date: _____
Title: _____

Appendix A

[Separation Payments]

EMPLOYMENT AGREEMENT

This **EMPLOYMENT AGREEMENT** (the "Agreement") made and entered into as of the first day of January 2005, and amended and restated as of November 5, 2009, 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 (as defined in Section 2 below). 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 in any capacity, whether 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 in compliance with any NBTB limits or policies, 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 remaining Term of Employment shall be extended by one additional year (to a total of three years);

(ii) the death of Executive;

(iii) Executive's inability to perform his duties hereunder, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; 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 material reduction in duties, responsibilities or position other than for "Cause," or a material decrease in the amount or level of Executive's salary or benefits from the amount or level established in section 3 hereof. Notwithstanding the foregoing, if there exists (without regard to this sentence) an event or condition that constitutes Good Reason, NBTB shall have thirty (30) days from the date on which Executive gives the written notice thereof to cure such event or condition (such notice to be given from Executive within ninety (90) days from the date the event or condition first occurs) and, if NBTB does so, such event or condition shall not constitute Good Reason hereunder. Further, an event or condition shall cease to constitute Good Reason thirty (30) days after the end of the cure period.

A Termination Date shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and, for purposes of any such provision of this Agreement, any references to a "termination," "termination of employment" or like terms shall mean a "separation from service."

(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, in consideration for Executive's covenant not to compete and other post-termination obligations, 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 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, and upon execution of a Separation Agreement and Release in substantially the form attached hereto, which shall be incorporated by reference into this Agreement and become a part hereof, Executive shall be entitled to receive the following:

(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, on a monthly basis;

(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 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 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 the payment made to Executive under (C) shall be paid an additional amount (the "Gross-Up") such that the net amount retained by 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 after giving consideration to the deductibility of state taxes for federal income taxes. 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 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, 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"), 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 Executive under (A), (B), and (C) above; and
- (2) with regard to amounts due but not yet paid by the Company to Executive, Executive shall notify the Company of any amounts received or due from the Third Party, and Executive agrees that the Company shall reduce the amount due under (A), (B), and (C) above by the amount Executive has been paid or is entitled to be paid by the Third Party up to the amount due Executive from the Company.

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, 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.

(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 sections 1(b) and 3 of the change-in-control letter agreement dated July 23, 2001, as amended effective as of November 5, 2009, 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 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 NBTB, for such residence, and including direct, necessary and reasonable expenses, as determined by the controller's 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) the Gross-Up, the intent being that the net amount retained by 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 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, Executive agrees:

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

(e) Notwithstanding any other payment schedule provided herein to the contrary, if Executive is deemed on the Termination Date a "specified employee" within the meaning of that term under Code Section 409A(a)(2)(B), then each of the following shall apply:

(i) With regard to any payment that is considered deferred compensation under Code Section 409A payable on account of a "separation from service," such payment shall be made on the date which is the earlier of (A) the expiration of the six (6)- month period measured from the date of Executive's "separation from service", and (B) the date of Executive's death (the "Delay Period") to the extent required under Code Section 409A. Upon the expiration of the Delay Period, all payments delayed pursuant to this Section (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid to Executive in a lump sum, and all remaining payments due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein; and

(ii) To the extent that any benefits to be provided during the Delay Period is considered deferred compensation under Code Section 409A provided on account of a "separation from service," and such benefits are not otherwise exempt from Code Section 409A, Executive shall pay the cost of such benefits during the Delay Period, and the Company shall reimburse Executive, to the extent that such costs would otherwise have been paid by the Company or to the extent that such benefits would otherwise have been provided by the Company at no cost to Executive, the Company's share of the cost of such benefits upon expiration of the Delay Period, and any remaining benefits shall be reimbursed or provided by the Company in accordance with the procedures specified herein.

(f) To the extent that severance payments or benefits pursuant to this Agreement are conditioned upon the execution and delivery by Executive of a release of claims, Executive shall forfeit all rights to such payments and benefits unless such release is signed and delivered (and no longer subject to revocation, if applicable) within sixty (60) days following the date of Executive's Termination Date. If the foregoing release is executed and delivered and no longer subject to revocation as provided in the preceding sentence, payments or benefits shall commence upon the first scheduled payment date immediately after the date the release is executed and no longer subject to revocation (the "Release Effective Date"). The first such cash payment shall include payment of all amounts that otherwise would have been due prior to the Release Effective Date under the terms of this Agreement applied as though such payments commenced immediately upon Executive's Termination Date, and any payments made thereafter shall continue as provided herein. The delayed benefits shall in any event expire at the time such benefits would have expired had such benefits commenced immediately following Executive's Termination Date.

The Company may provide, in its sole discretion, that Executive may continue to participate in any benefits delayed pursuant to this section during the period of such delay, provided that Executive shall bear the full cost of such benefits during such delay period. Upon the date such benefits would otherwise commence pursuant to this Section, the Company may reimburse Executive the Company's share of the cost of such benefits, to the extent that such costs would otherwise have been paid by the Company or to the extent that such benefits would otherwise have been provided by the Company at no cost to Executive, in each case had such benefits commenced immediately upon Executive's Termination Date. Any remaining benefits shall be reimbursed or provided by the Company in accordance with the schedule and procedures specified herein.

(iii) For purposes of Code Section 409A, Executive's right to receive any installment payment pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments.

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 two hundred seventy one thousand six hundred dollars (\$271,600) 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 Executive's title and salary grade in accordance with the compensation policies of NBTB with respect to executive personnel as of the Commencement Date 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 as of the Commencement Date 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, restricted stock or stock units, 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) Equity Awards. Executive will be eligible for awards under the NBTB's Omnibus Incentive Plan as applicable to officer 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 applicable to officers of Executive's rank employed by NBTB or its affiliates and 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 Executive. Executive shall be responsible for any income taxes associated with the personal use of such club membership.

(g) Withholding. All compensation to be paid to Executive hereunder shall be subject to applicable federal, state, and local taxes and all and other required withholdings. Executive hereby acknowledges and agrees that he is responsible for all taxes in connection with any benefits, fringe benefits, or perquisites provided under this Agreement and he is not entitled to a Gross Up, except as specifically provided under Paragraph 2(c)(iii) or 2(d)(iv) of this Agreement, or as may be provided under the terms of the Change-in-Control Agreement.

(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 by NBTB, 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. All expenses or other reimbursements under this Agreement shall be made on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by Executive (provided that if any such reimbursements constitute taxable income to Executive, such reimbursements shall be paid no later than March 15th of the calendar year following the calendar year in which the expenses to be reimbursed were incurred), and no such reimbursement or expenses eligible for reimbursement in any taxable year shall in any way affect the expenses eligible for reimbursement in any other taxable year.

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, NBT Bank or any of their 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 (collectively, "Confidential Information"). In this regard, NBTB asserts proprietary rights in all of its Confidential 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 acknowledges that in connection with his employment with NBTB, Executive has had or may have access to such Confidential Information, and he 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 Information obtained during the course of his employment by NBTB. In the event that disclosure is required by law, regulation, or order of a court or government authority, Executive agrees that as soon as practical and in any event no later than 30 days after receiving notice that Executive is required to make such disclosure, Executive will provide notice to the Company of such requirement by law, regulation, order of a court or government authority. This section 4(a) 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 Confidential Information in his possession, whether tangible, electronic or intangible in form.

(b) Executive acknowledges that in the course of employment with NBTB, Executive has had access to and gained knowledge of the trade secrets and other Confidential Information of NBTB, NBT Bank, or their affiliates; has had substantial relationships with the customers of NBTB, NBT Bank, or their affiliates; and has performed services of special, unique, and extraordinary value to NBTB, NBT Bank, or their affiliates. Therefore, Executive agrees that notwithstanding the termination of this Agreement for any reason, from the Commencement Date until the first anniversary of the Termination Date, the Executive shall not, directly or indirectly, on behalf of himself or any other person or entity, without the written consent of NBTB:

(i) become an officer, employee, consultant, director, or trustee of any savings bank, savings and loan association, savings and loan holding company, bank or bank holding company, where such position entails providing services to such company in any city, town, or county in which NBTB or NBT Bank or their affiliates has an office, determined as of the Termination Date, where Executive's position or service for such business is competitive with or otherwise similar to any of Executive's positions or services for NBTB or NBT Bank;

(ii) induce or solicit any customer, supplier, or agent of NBTB, NBT Bank, or their affiliates about whom Executive has gained Confidential Information or with whom Executive, by virtue of his/her employment with NBTB, has established a relationship or had frequent contact, to terminate or curtail an existing business or commercial relationship with NBTB, NBT Bank, or their affiliates;

(iii) induce or solicit any customer or supplier of NBTB, NBT Bank, or their affiliates about whom Executive has gained Confidential Information or with whom Executive, by virtue of his/her employment with NBTB, has established a relationship or had frequent contact, to provide or purchase goods or services similar to the goods or services provided by it to or purchased by it from NBTB, NBT Bank, or their affiliates; provided however, that the provisions of this clause (iii) only apply to those persons or entities who are customers or suppliers of NBTB, NBT Bank, or their affiliates as of the Termination Date or who were customers of NBTB, NBT Bank, or their affiliates during the one-year period prior to the Termination Date; or

(iv) solicit, induce, recruit, offer employment to, hire, or take any other action intended, or that a reasonable person acting in like circumstances would expect, to have the effect of causing any officer or employee of NBTB, NBT Bank, or their affiliates, to terminate his or her employment.

(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 NBT Bank or their 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:

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. Michael J. Chewens
30 Pine Meadow Road
Vestal, New York 13850

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 and any other agreements expressly incorporated by reference herein constitute 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 NBTB 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. 409A Compliance. The intent of the parties is that payments and benefits under this Agreement comply with Code Section 409A and the regulations and guidance promulgated thereunder and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. In no event whatsoever shall NBTB be liable for any additional tax, interest or penalty that may be imposed on Executive by Code Section 409A or damages for failing to comply with Code Section 409A. Notwithstanding any other provision of this Agreement to the contrary, in no event shall any payment under this Agreement that constitutes "deferred compensation" for purposes of Code Section 409A be subject to offset, counterclaim or recoupment by any other amount payable to the Executive unless otherwise permitted by Code Section 409A.

13. 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 ("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 Chenango County, 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.

14. 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.

15. **Company Right to Recover.** If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company as a result of misconduct, with regard to any financial reporting requirement under the securities laws, and Executive is subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002 and Executive knowingly engaged in the misconduct, was grossly negligent in engaging in the misconduct, knowingly failed to prevent the misconduct or was grossly negligent in failing to prevent the misconduct, Executive shall reimburse the Company the amount of any payment earned or accrued during the 12-month period following the first public issuance or filing with the United States Securities and Exchange Commission (whichever first occurred) of the financial document that contained such material noncompliance.

Notwithstanding anything in this Agreement, if the Company is required to prepare an accounting restatement, Executive will forfeit any payments made based on the achievement of pre-established performance goals that are later determined, as a result of the accounting restatement, not to have been achieved.

16. **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.

17. **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 and
Chief Executive Officer

MICHAEL J. CHEWENS

/S/ Michael J. Chewens

SEPARATION AGREEMENT AND RELEASE

I. In consideration of receipt and acceptance of the separation payments described in the Employment Agreement and listed on Appendix A between NBT BANCORP INC. ("NBTB") and Michael J. Chewens ("Executive"), dated November 5, 2009 (the "Employment Agreement"), into which this Separation Agreement and Release ("Separation Agreement") is incorporated by reference, Executive, on behalf of himself and his agents, heirs, executors, administrators, successors, and assigns, unconditionally and generally releases NBTB and NBT Bank, National Association ("NBT Bank"), their respective current and former owners, officers, directors, parents, affiliates, subsidiaries, related entities, agents and employees, and the heirs, executors, administrators, successors and assigns of all of the foregoing (collectively, "Releasee"), from or in connection with, and Executive hereby waives and/or settles, with prejudice, any and all complaints, causes of action, suits, controversies, or any liability, claims, demands, or damages, known or unknown and of any nature whatsoever and which Executive ever had, now has or shall or may have as of [], the date of this Separation Agreement including without limitation, those arising directly or indirectly pursuant to or out of any aspect of Executive's employment or termination from employment with NBTB, NBT Bank or any other Releasee.

II. Specifically, without limitation of the foregoing, the release and waiver of claims under this Separation Agreement shall include and apply to any rights and/or claims (i) arising under any contract or employment arrangement, express or implied, written or oral; (ii) for wrongful dismissal or termination of employment; (iii) arising under any applicable federal, state, local or other statutes, laws, ordinances, regulations or the like, or case law, that relate to employment or employment practices and/or specifically, that prohibit discrimination based upon age, race, religion, sex, national origin, disability or any other unlawful bases, including without limitation, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act of 1990, the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the Civil Rights Act of 1866, the Equal Pay Act of 1963, the Family Medical Leave Act of 1993, the Fair Labor Standards Act, the Employee Retirement Income Security Act of 1974, Executive Order 11246, the Worker Adjustment and Retraining Notification Act, all as amended, and any other statutes, orders, laws, ordinances, regulations applicable to Employee's employment, of any state or city in which any Releasee is subject to jurisdiction, and/or any political subdivision thereof; (iv) based upon any other federal, state or local statutes, orders, laws, ordinances, regulations, case law, public policy, or common law or the like; (v) concerning recruitment, hiring, discharge, promotions, transfers, employment status, right to reemployment, wages, bonus or incentive pay, severance pay, stock or stock options, employment benefits (including, without limitation, sick or other leave, medical, disability, life, or any other insurance, 401(k), pension, other retirement plans or benefits, or any other fringe benefits), workers' compensation, intentional or negligent misrepresentation and/or infliction of emotional distress, interference with contract, fraud, libel, slander, defamation, invasion of privacy or loss of consortium, together with any and all tort, contract, or other claims which have been or might have been asserted by Executive or on his behalf in any suit, charge of discrimination, or claim against the Releasee; and (vi) for damages, including without limitation, punitive or compensatory damages, or for attorneys' fees, expenses, costs, wages, injunctive or equitable relief.

III. Executive expressly understands and acknowledges that it is possible that unknown losses or claims exist or that present losses may have been underestimated in amount or severity, and Executive explicitly took that into account in determining the amount of consideration to be paid for the giving of the release in this Separation Agreement, and a portion of said consideration and the mutual covenants were given in exchange for a full satisfaction and discharge of such claims.

IV. Executive and NBT Bank acknowledge that the above release and waiver of claims shall not apply to the obligation of NBT Bank to make payments (if any) of any vested benefit under NBT Bank's tax-qualified employee benefit plans nor to Executive's right to continue healthcare insurance under the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985.

V. Executive represents and warrants that he has not filed or commenced any complaints, claims, actions or proceeding of any kind against any Releasee with any federal, state or local court or any administrative or regulatory body. Except for Executive's right to bring a proceeding pursuant to the Older Workers Benefit Protection Act to challenge the release of claims in this Separation Agreement, and consistent with the EEOC Enforcement Guidance On Non-Waivable Employee Rights Under EEOC-Enforced Statutes dated April 11, 1997, and otherwise to the fullest extent permitted by law, Executive agrees not to commence or participate as a party in any proceeding in any court or forum against any Releasee which is based upon any act, omission or occurrence up to and including the date of the execution of this Separation Agreement. Executive further agrees not to encourage or participate in any action or proceeding brought by any person (except a government agency) against any Releasee. In the event any government agency seeks to obtain any relief on behalf of Executive with regard to any claim released by Executive, Executive agrees not to accept any relief or award from such proceeding.

VI. This Separation Agreement is not and shall not be construed as an admission by any Releasee or Executive of any wrongdoing or illegal acts or omissions and each party expressly denies that they engaged in any wrongdoing or illegal or acts or omissions. Executive shall not, except as may be required by law, make any oral or written negative, disparaging or adverse statements, suggestions or representations of or concerning NBT Bank or any Releasee.

VII. Executive agrees to cooperate reasonably with and to be readily available to NBT Bank to assist in any matter, including government agency investigations, court litigation or potential litigation, about which Executive may have knowledge. If Executive receives a subpoena or other legal process relating in any way to same, Executive immediately will provide NBT Bank notice of the contact or the service of such subpoena or other legal process, and shall cooperate with NBT Bank in responding.

VIII. Except as prohibited by law, each Releasee shall be excused from any obligation to make payment of the separation payments in the Employment Agreement in the event that paragraphs I through IV of this Separation Agreement are determined to be void or unenforceable, in whole or in part; or Executive is found to have made a material misstatement in any term, condition, representation or acknowledgement in this Separation Agreement, in either of which event Executive shall also be liable for any damages and costs suffered or incurred by any Releasee by reason of such misstatement or breach.

IX. This Separation Agreement shall be incorporated by reference into the Employment Agreement and shall be made a part thereof.

X. Executive agrees and acknowledges that:

(a) With respect to the General Release in Section II hereof, Executive agrees and understands that he is specifically releasing all claims under the Age Discrimination in Employment Act, as amended, 29 U.S.C. § 621 et seq. Executive acknowledges that he has read and understands this Agreement and executes it voluntarily and without coercion;

(b) Executive has been advised by NBT Bank to consult with an attorney before executing this Separation Agreement and has been given twenty-one (21) days to review this Separation Agreement and to consider whether to sign this Separation Agreement. Executive may elect to sign this Separation Agreement prior to the expiration of the twenty-one day consideration period specified herein, and Executive agrees that if he elects to do so, such election is knowing and voluntary and comes after full opportunity to consult with an attorney;

(c) Executive has the right to revoke this Separation Agreement within the seven (7) day period following the date Executive signs this Separation Agreement (the "Revocation Period") and any revocation shall be made by providing a signed notice in writing, delivered personally or by fax to the Human Resources Director at NBT Bancorp, 52 South Broad Street, Norwich, New York, 13815 no later than 5:00 p.m. on the seventh calendar day following his execution of this Separation Agreement;

(d) This Separation Agreement will not be effective or enforceable, and the separation payments under the Employment Agreement are not required and shall not be delivered or paid, until Executive has delivered a signed, notarized original of this Separation Agreement to the Human Resources Director at NBT Bancorp, 52 South Broad Street, Norwich, New York, 13815 and the Revocation Period has expired without revocation of this Separation Agreement. It is not necessary that any Releasee sign this Separation Agreement following Executive's full and complete execution of it for it to become fully effective and enforceable;

(e) Executive relied solely on his own judgment and/or that of this attorney regarding the consideration for and the terms of this Separation Agreement and is signing this Separation Agreement knowingly and voluntarily of his own free will;

(f) Executive is not entitled to the separation payments under the Employment Agreement unless he agrees to and honors the terms of the terms of this Separation Agreement; and

(g) Executive has read and understands this Separation Agreement and further understands that, subject to the limitations contained herein, it includes a general release of any and all known and unknown, foreseen or unforeseen claims presently asserted or otherwise arising through the date of his signing of this Separation Agreement that he may have against any Releasee.

XI. Executive understands all of the terms of this Separation Agreement, and agrees that such terms are fair, reasonable and are not the result of any fraud, duress, coercion, pressure or undue influence exercised by or on behalf of any Releasee; and Executive has agreed to and entered into this Separation Agreement and all of its terms, knowingly, freely and voluntarily.

XII. There are no other agreements of any nature between any Releasee and Executive with respect to the matters discussed in this Separation Agreement with respect to the matters discussed in this Separation Agreement, except as expressly stated herein, and in signing this Separation Agreement, Executive is not relying on any agreements or representation, except those expressly contained in this Separation Agreement.

XIII. This Separation Agreement shall be governed by the laws of New York, excluding the choice of law rules thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Separation Agreement.

_____ Date _____
Michael J. Chewens

STATE OF NEW YORK)
 : ss.:
COUNTY OF)

On the ____ day of _____, 20__, personally came Michael J. Chewens and being duly sworn, acknowledged that he is the person described in and who executed the foregoing Separation Agreement and acknowledged that he executed same.

Notary Public

NBT BANCORP, INC.

By: _____ Date: _____
Title: _____

Appendix A

[Separation Payments]

EMPLOYMENT AGREEMENT

This **EMPLOYMENT AGREEMENT** (the "Agreement") made and entered into as of this thirty first day of August 2005, as amended and restated as of November 5, 2009, 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 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 an executive vice president of NBTB and president and chief executive officer of Pennstar Bank, during the Term of Employment (as defined in Section 2 below). 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 in any capacity, whether 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 in compliance with any NBTB limits or policies, 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 each January 1 thereafter, the remaining Term of Employment shall automatically be extended by one additional year (to a total of three years);

(ii) the death of Executive;

(iii) Executive's inability to perform his duties hereunder, by reason of any medically determinable physical or mental impairment that can be expected to result in a death or can be expected to last for a continuous period of not less than 12 months; 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 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 material reduction in duties, responsibilities or position other than for "Cause," or a material decrease in the amount or level of Executive's salary or benefits from the amount or level established in section 3 hereof. Notwithstanding the foregoing, if there exists (without regard to this sentence) an event or condition that constitutes Good Reason, NBTB shall have thirty (30) days from the date on which Executive gives the written notice thereof to cure such event or condition (such notice to be given from Executive within ninety (90) days from the date the event or condition first occurs) and, if NBTB does so, such event or condition shall not constitute Good Reason hereunder. Further, an event or condition shall cease to constitute Good Reason thirty (30) days after the end of the cure period.

A Termination Date shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and, for purposes of any such provision of this Agreement, any references to a "termination," "termination of employment" or like terms shall mean a "separation from service."

(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, in consideration for Executive's covenant not to compete and other post-termination obligations, 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 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, and upon executive of a Separation Agreement and Release in substantially the form attached hereto, which shall be incorporated by reference into this Agreement and become a part hereof, Executive shall be entitled to receive the following:

(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, on a monthly basis;

(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 the payment made to Executive under (C) shall be paid an additional amount (the "Gross-Up") such that the net amount retained by 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 after giving consideration to the deductibility of state taxes for federal income taxes. 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 Executive is reimbursed, entitled to reimbursement, or is paid any amounts by an entity or entities other than NBTB or its 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, Executive agrees:

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

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, 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.

(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 sections 1(b) and 3 of the change-in-control letter agreement dated July 23, 2001, as amended effective as of November 5, 2009, 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 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 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) the Gross-Up, the intent being that the net amount retained by 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 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, Executive agrees:

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

(e) Notwithstanding any other payment schedule provided herein to the contrary, if Executive is deemed on the Termination Date a "specified employee" within the meaning of that term under Code Section 409A(a)(2)(B), then each of the following shall apply:

(i) With regard to any payment that is considered deferred compensation under Code Section 409A payable on account of a "separation from service," such payment shall be made on the date which is the earlier of (A) the expiration of the six (6)- month period measured from the date of Executive's "separation from service", and (B) the date of Executive's death (the "Delay Period") to the extent required under Code Section 409A. Upon the expiration of the Delay Period, all payments delayed pursuant to this Section (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid to Executive in a lump sum, and all remaining payments due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein; and

(ii) To the extent that any benefits to be provided during the Delay Period is considered deferred compensation under Code Section 409A provided on account of a "separation from service," and such benefits are not otherwise exempt from Code Section 409A, Executive shall pay the cost of such benefits during the Delay Period, and the Company shall reimburse Executive, to the extent that such costs would otherwise have been paid by the Company or to the extent that such benefits would otherwise have been provided by the Company at no cost to Executive, the Company's share of the cost of such benefits upon expiration of the Delay Period, and any remaining benefits shall be reimbursed or provided by the Company in accordance with the procedures specified herein.

(f) To the extent that severance payments or benefits pursuant to this Agreement are conditioned upon the execution and delivery by Executive of a release of claims, Executive shall forfeit all rights to such payments and benefits unless such release is signed and delivered (and no longer subject to revocation, if applicable) within sixty (60) days following the date of Executive's Termination Date. If the foregoing release is executed and delivered and no longer subject to revocation as provided in the preceding sentence, payments or benefits shall commence upon the first scheduled payment date immediately after the date the release is executed and no longer subject to revocation (the "Release Effective Date"). The first such cash payment shall include payment of all amounts that otherwise would have been due prior to the Release Effective Date under the terms of this Agreement applied as though such payments commenced immediately upon Executive's Termination Date, and any payments made thereafter shall continue as provided herein. The delayed benefits shall in any event expire at the time such benefits would have expired had such benefits commenced immediately following Executive's Termination Date.

The Company may provide, in its sole discretion, that Executive may continue to participate in any benefits delayed pursuant to this section during the period of such delay, provided that Executive shall bear the full cost of such benefits during such delay period. Upon the date such benefits would otherwise commence pursuant to this Section, the Company may reimburse Executive the Company's share of the cost of such benefits, to the extent that such costs would otherwise have been paid by the Company or to the extent that such benefits would otherwise have been provided by the Company at no cost to Executive, in each case had such benefits commenced immediately upon Executive's Termination Date. Any remaining benefits shall be reimbursed or provided by the Company in accordance with the schedule and procedures specified herein.

(iii) For purposes of Code Section 409A, Executive's right to receive any installment payment pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments.

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 two hundred seventy five thousand dollars (\$275,000) 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 Executive's title and salary grade in accordance with the compensation policies of NBTB with respect to executive personnel in effect as of the Commencement Date 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 as of the Commencement Date 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, restricted stock or stock units, 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) Equity Awards. Executive will be eligible for awards under NBTB's Omnibus Incentive 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 applicable to officers of Executive's rank employed by NBTB or its affiliates and 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 Executive. Executive shall be responsible for any income taxes associated with the personal use of such club membership.

(g) Withholding. All compensation to be paid to Executive hereunder shall be subject to applicable federal, state, and local taxes and all other required withholdings. Executive hereby acknowledges and agrees that he is responsible for all taxes in connection with any benefits, fringe benefits, or perquisites provided under this Agreement and he is not entitled to a Gross Up, except as specifically provided under Paragraph 2(c)(iii) or 2(d)(iv) of this Agreement, or as may be provided under the terms of the Change-in-Control Agreement.

(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 by NBTB, 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. All expenses or other reimbursements under this Agreement shall be made on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by Executive (provided that if any such reimbursements constitute taxable income to Executive, such reimbursements shall be paid no later than March 15th of the calendar year following the calendar year in which the expenses to be reimbursed were incurred), and no such reimbursement or expenses eligible for reimbursement in any taxable year shall in any way affect the expenses eligible for reimbursement in any other taxable year.

4. Confidential Business Information; Non-Competition.

(a) Executive acknowledges that certain business methods, creative techniques, and technical data of NBTB or any of 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 its affiliates, and compositions, ideas, plans, and methods belonging to or related to the affairs of NBTB or its affiliates (collectively, "Confidential Information"). In this regard, NBTB asserts proprietary rights in all of its Confidential 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 acknowledges that in connection with his employment with NBTB, Executive has had or may have access to such Confidential Information, and he 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 its affiliates, any Confidential Information obtained during the course of his employment by NBTB. In the event that disclosure is required by law, regulation, or order of a court or government authority, Executive agrees that as soon as practical and in any event no later than 30 days after receiving notice that Executive is required to make such disclosure, Executive will provide notice to the Company of such requirement by law, regulation, order of a court or government authority. This Section 4(a) shall not be construed as restricting Executive from disclosing such information to the employees of NBTB or its affiliates. On or before the Termination Date, Executive shall promptly deliver to NBTB any and all Confidential Information in his possession, whether tangible, electronic or intangible in form.

(b) Executive acknowledges that in the course of employment with NBTB, Executive has had access to and gained knowledge of the trade secrets and other Confidential Information of NBTB or its affiliates; has had substantial relationships with the customers of NBTB or its affiliates; and has performed services of special, unique, and extraordinary value to NBTB or its affiliates. Therefore, Executive agrees that notwithstanding the termination of this Agreement for any reason, from the Commencement Date until the first anniversary of the Termination Date, the Executive shall not, directly or indirectly, on behalf of himself or any other person or entity, without the written consent of NBTB:

(i) become an officer, employee, consultant, director, or trustee of any savings bank, savings and loan association, savings and loan holding company, bank or bank holding company, where such position entails providing services to such company in any city, town, or county in which NBTB or its affiliates has an office, determined as of the Termination Date, where Executive's position or service for such business is competitive with or otherwise similar to any of Executive's positions or services for NBTB or its affiliates;

(ii) induce or solicit any customer, supplier, or agent of NBTB or its affiliates about whom Executive has gained Confidential Information or with whom Executive, by virtue of his/her employment with NBTB, has established a relationship or had frequent contact, to terminate or curtail an existing business or commercial relationship with NBTB or its affiliates;

(iii) induce or solicit any customer or supplier of NBTB or its affiliates about whom Executive has gained Confidential Information or with whom Executive, by virtue of his/her employment with NBTB, has established a relationship or had frequent contact, to provide or purchase goods or services similar to the goods or services provided by it to or purchased by it from NBTB or its affiliates; provided however, that the provisions of this clause (iii) only apply to those persons or entities who are customers or suppliers of NBTB or its affiliates as of the Termination Date or who were customers of NBTB or its affiliates during the one-year period prior to the Termination Date; or

(iv) solicit, induce, recruit, offer employment to, hire, or take any other action intended, or that a reasonable person acting in like circumstances would expect, to have the effect of causing any officer or employee of NBTB or its affiliates, to terminate his or her employment.

(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 any of 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:

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. 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 and any other agreements expressly incorporated by reference herein constitute 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 NBTB 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. 409A Compliance. The intent of the parties is that payments and benefits under this Agreement comply with Code Section 409A and the regulations and guidance promulgated thereunder and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. In no event whatsoever shall NBTB be liable for any additional tax, interest or penalty that may be imposed on Executive by Code Section 409A or damages for failing to comply with Code Section 409A. Notwithstanding any other provision of this Agreement to the contrary, in no event shall any payment under this Agreement that constitutes "deferred compensation" for purposes of Code Section 409A be subject to offset, counterclaim or recoupment by any other amount payable to the Executive unless otherwise permitted by Code Section 409A.

13. 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 ("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 Chenango County, 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.

14. 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.

15. Company Right to Recover. If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company as a result of misconduct, with regard to any financial reporting requirement under the securities laws, and Executive is subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002 and Executive knowingly engaged in the misconduct, was grossly negligent in engaging in the misconduct, knowingly failed to prevent the misconduct or was grossly negligent in failing to prevent the misconduct, Executive shall reimburse the Company the amount of any payment earned or accrued during the 12-month period following the first public issuance or filing with the United States Securities and Exchange Commission (whichever first occurred) of the financial document that contained such material noncompliance.

Notwithstanding anything in this Agreement, if the Company is required to prepare an accounting restatement, Executive will forfeit any payments made based on the achievement of pre-established performance goals that are later determined, as a result of the accounting restatement, not to have been achieved.

16. Affiliation. A company will be deemed to be "affiliated" with NBTB 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.

17. 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 and
Chief Executive Officer

DAVID E. RAVEN

/S/ David E. Raven

SEPARATION AGREEMENT AND RELEASE

I. In consideration of receipt and acceptance of the separation payments described in the Employment Agreement and listed on Appendix A between NBT BANCORP INC. ("NBTB") and David E. Raven ("Executive"), dated November 5, 2009 (the "Employment Agreement"), into which this Separation Agreement and Release ("Separation Agreement") is incorporated by reference, Executive, on behalf of himself and his agents, heirs, executors, administrators, successors, and assigns, unconditionally and generally releases NBTB and NBT Bank, National Association ("NBT Bank"), their respective current and former owners, officers, directors, parents, affiliates, subsidiaries, related entities, agents and employees, and the heirs, executors, administrators, successors and assigns of all of the foregoing (collectively, "Releasee"), from or in connection with, and Executive hereby waives and/or settles, with prejudice, any and all complaints, causes of action, suits, controversies, or any liability, claims, demands, or damages, known or unknown and of any nature whatsoever and which Executive ever had, now has or shall or may have as of [], the date of this Separation Agreement including without limitation, those arising directly or indirectly pursuant to or out of any aspect of Executive's employment or termination from employment with NBTB, NBT Bank or any other Releasee.

II. Specifically, without limitation of the foregoing, the release and waiver of claims under this Separation Agreement shall include and apply to any rights and/or claims (i) arising under any contract or employment arrangement, express or implied, written or oral; (ii) for wrongful dismissal or termination of employment; (iii) arising under any applicable federal, state, local or other statutes, laws, ordinances, regulations or the like, or case law, that relate to employment or employment practices and/or specifically, that prohibit discrimination based upon age, race, religion, sex, national origin, disability or any other unlawful bases, including without limitation, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act of 1990, the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the Civil Rights Act of 1866, the Equal Pay Act of 1963, the Family Medical Leave Act of 1993, the Fair Labor Standards Act, the Employee Retirement Income Security Act of 1974, Executive Order 11246, the Worker Adjustment and Retraining Notification Act, all as amended, and any other statutes, orders, laws, ordinances, regulations applicable to Employee's employment, of any state or city in which any Releasee is subject to jurisdiction, and/or any political subdivision thereof; (iv) based upon any other federal, state or local statutes, orders, laws, ordinances, regulations, case law, public policy, or common law or the like; (v) concerning recruitment, hiring, discharge, promotions, transfers, employment status, right to reemployment, wages, bonus or incentive pay, severance pay, stock or stock options, employment benefits (including, without limitation, sick or other leave, medical, disability, life, or any other insurance, 401(k), pension, other retirement plans or benefits, or any other fringe benefits), workers' compensation, intentional or negligent misrepresentation and/or infliction of emotional distress, interference with contract, fraud, libel, slander, defamation, invasion of privacy or loss of consortium, together with any and all tort, contract, or other claims which have been or might have been asserted by Executive or on his behalf in any suit, charge of discrimination, or claim against the Releasee; and (vi) for damages, including without limitation, punitive or compensatory damages, or for attorneys' fees, expenses, costs, wages, injunctive or equitable relief.

III. Executive expressly understands and acknowledges that it is possible that unknown losses or claims exist or that present losses may have been underestimated in amount or severity, and Executive explicitly took that into account in determining the amount of consideration to be paid for the giving of the release in this Separation Agreement, and a portion of said consideration and the mutual covenants were given in exchange for a full satisfaction and discharge of such claims.

IV. Executive and NBT Bank acknowledge that the above release and waiver of claims shall not apply to the obligation of NBT Bank to make payments (if any) of any vested benefit under NBT Bank's tax-qualified employee benefit plans nor to Executive's right to continue healthcare insurance under the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985.

V. Executive represents and warrants that he has not filed or commenced any complaints, claims, actions or proceeding of any kind against any Releasee with any federal, state or local court or any administrative or regulatory body. Except for Executive's right to bring a proceeding pursuant to the Older Workers Benefit Protection Act to challenge the release of claims in this Separation Agreement, and consistent with the EEOC Enforcement Guidance On Non-Waivable Employee Rights Under EEOC-Enforced Statutes dated April 11, 1997, and otherwise to the fullest extent permitted by law, Executive agrees not to commence or participate as a party in any proceeding in any court or forum against any Releasee which is based upon any act, omission or occurrence up to and including the date of the execution of this Separation Agreement. Executive further agrees not to encourage or participate in any action or proceeding brought by any person (except a government agency) against any Releasee. In the event any government agency seeks to obtain any relief on behalf of Executive with regard to any claim released by Executive, Executive agrees not to accept any relief or award from such proceeding.

VI. This Separation Agreement is not and shall not be construed as an admission by any Releasee or Executive of any wrongdoing or illegal acts or omissions and each party expressly denies that they engaged in any wrongdoing or illegal or acts or omissions. Executive shall not, except as may be required by law, make any oral or written negative, disparaging or adverse statements, suggestions or representations of or concerning NBT Bank or any Releasee.

VII. Executive agrees to cooperate reasonably with and to be readily available to NBT Bank to assist in any matter, including government agency investigations, court litigation or potential litigation, about which Executive may have knowledge. If Executive receives a subpoena or other legal process relating in any way to same, Executive immediately will provide NBT Bank notice of the contact or the service of such subpoena or other legal process, and shall cooperate with NBT Bank in responding.

VIII. Except as prohibited by law, each Releasee shall be excused from any obligation to make payment of the separation payments in the Employment Agreement in the event that paragraphs I through IV of this Separation Agreement are determined to be void or unenforceable, in whole or in part; or Executive is found to have made a material misstatement in any term, condition, representation or acknowledgement in this Separation Agreement, in either of which event Executive shall also be liable for any damages and costs suffered or incurred by any Releasee by reason of such misstatement or breach.

IX. This Separation Agreement shall be incorporated by reference into the Employment Agreement and shall be made a part thereof.

X. Executive agrees and acknowledges that:

(a) With respect to the General Release in Section II hereof, Executive agrees and understands that he is specifically releasing all claims under the Age Discrimination in Employment Act, as amended, 29 U.S.C. § 621 et seq. Executive acknowledges that he has read and understands this Agreement and executes it voluntarily and without coercion;

(b) Executive has been advised by NBT Bank to consult with an attorney before executing this Separation Agreement and has been given twenty-one (21) days to review this Separation Agreement and to consider whether to sign this Separation Agreement. Executive may elect to sign this Separation Agreement prior to the expiration of the twenty-one day consideration period specified herein, and Executive agrees that if he elects to do so, such election is knowing and voluntary and comes after full opportunity to consult with an attorney;

(c) Executive has the right to revoke this Separation Agreement within the seven (7) day period following the date Executive signs this Separation Agreement (the "Revocation Period") and any revocation shall be made by providing a signed notice in writing, delivered personally or by fax to the Human Resources Director at NBT Bancorp, 52 South Broad Street, Norwich, New York, 13815 no later than 5:00 p.m. on the seventh calendar day following his execution of this Separation Agreement;

(d) This Separation Agreement will not be effective or enforceable, and the separation payments under the Employment Agreement are not required and shall not be delivered or paid, until Executive has delivered a signed, notarized original of this Separation Agreement to the Human Resources Director at NBT Bancorp, 52 South Broad Street, Norwich, New York, 13815 and the Revocation Period has expired without revocation of this Separation Agreement. It is not necessary that any Releasee sign this Separation Agreement following Executive's full and complete execution of it for it to become fully effective and enforceable;

(e) Executive relied solely on his own judgment and/or that of this attorney regarding the consideration for and the terms of this Separation Agreement and is signing this Separation Agreement knowingly and voluntarily of his own free will;

(f) Executive is not entitled to the separation payments under the Employment Agreement unless he agrees to and honors the terms of the terms of this Separation Agreement; and

(g) Executive has read and understands this Separation Agreement and further understands that, subject to the limitations contained herein, it includes a general release of any and all known and unknown, foreseen or unforeseen claims presently asserted or otherwise arising through the date of his signing of this Separation Agreement that he may have against any Releasee.

XI. Executive understands all of the terms of this Separation Agreement, and agrees that such terms are fair, reasonable and are not the result of any fraud, duress, coercion, pressure or undue influence exercised by or on behalf of any Releasee; and Executive has agreed to and entered into this Separation Agreement and all of its terms, knowingly, freely and voluntarily.

XII. There are no other agreements of any nature between any Releasee and Executive with respect to the matters discussed in this Separation Agreement with respect to the matters discussed in this Separation Agreement, except as expressly stated herein, and in signing this Separation Agreement, Executive is not relying on any agreements or representation, except those expressly contained in this Separation Agreement.

XIII. This Separation Agreement shall be governed by the laws of New York, excluding the choice of law rules thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Separation Agreement.

David E. Raven

Date _____

STATE OF NEW YORK)
 : ss.:
COUNTY OF)

On the ____ day of _____, 20__, personally came David E. Raven and being duly sworn, acknowledged that he is the person described in and who executed the foregoing Separation Agreement and acknowledged that he executed same.

Notary Public

NBT BANCORP, INC.

By: _____

Date: _____

Title: _____

Appendix A

[Separation Payments]

EMPLOYMENT AGREEMENT

This **EMPLOYMENT AGREEMENT** (the "Agreement") made and entered into as of the 23rd day of April 2007, and amended and restated as of November 5, 2009, by and between JEFFREY M. LEVY ("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 of commercial banking 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 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 an executive vice president of NBTB and president of commercial banking of NBT Bank, and of any successor organization to NBTB or NBT Bank, as applicable, during the Term of Employment (as defined in Section 2 below). 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 in any capacity, whether 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 in compliance with any NBTB limits or policies, 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, 2010, provided, however, that on January 1, 2008 and on each January 1 thereafter, the remaining Term of Employment shall be extended by one additional year(to a total of three years) ;

(ii) the death of Executive;

(iii) Executive's inability to perform his duties hereunder, reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; 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 executive vice president of NBTB and president of commercial banking 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 material reduction in duties, responsibilities or position other than for "Cause," or a material decrease in the amount or level of Executive's salary or benefits from the amount or level established in section 3 hereof. Notwithstanding the foregoing, if there exists (without regard to this sentence) an event or condition that constitutes Good Reason, NBTB shall have thirty (30) days from the date on which Executive gives the written notice thereof to cure such event or condition (such notice to be given from Executive within ninety (90) days from the date the event or condition first occurs) and, if NBTB does so, such event or condition shall not constitute Good Reason hereunder. Further, an event or condition shall cease to constitute Good Reason thirty (30) days after the end of the cure period.

A Termination Date shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and, for purposes of any such provision of this Agreement, any references to a "termination," "termination of employment" or like terms shall mean a "separation from service."

(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, in consideration for Executive's covenant not to compete and other post-termination obligations, 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 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 reasons set forth in section 2(a)(vi) or 2(a)(vii) hereof, and upon execution of a Separation Agreement and Release in substantially the form attached hereto, which shall be incorporated by reference into this Agreement and become a part hereof, Executive shall be entitled to receive the following:

(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, on a monthly basis;

(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 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 Albany MSA as determined by the United States Census Bureau ("Albany MSA") and relocate to a place outside of the Albany MSA, (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 the payment made to Executive under (C) shall be paid an additional amount (the "Gross-Up") such that the net amount retained by 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 after giving consideration to the deductibility of state taxes for federal income taxes. 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 Executive is reimbursed, entitled to reimbursement, or is paid any amounts by an entity or entities other than NBTB or NBT 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, 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"), 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 Executive under (A), (B), and (C) above; and
- (2) with regard to amounts due but not yet paid by the Company to Executive, Executive shall notify the Company of any amounts received or due from the Third Party, and Executive agrees that the Company shall reduce the amount due under (A), (B), and (C) above by the amount Executive has been paid or is entitled to be paid by the Third Party up to the amount due Executive from the Company.

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, 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.

(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 sections 1(b) and 3 of the change-in-control letter agreement dated April 23, 2007, as amended effective as of November 5, 2009, 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 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 Albany MSA and relocate to a place outside of the Albany MSA, (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 NBT Bank, 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) the Gross-Up, the intent being that the net amount retained by 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 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, Executive agrees:

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

(e) Notwithstanding any other payment schedule provided herein to the contrary, if Executive is deemed on the Termination Date a "specified employee" within the meaning of that term under Code Section 409A(a)(2)(B), then each of the following shall apply:

(i) With regard to any payment that is considered deferred compensation under Code Section 409A payable on account of a "separation from service," such payment shall be made on the date which is the earlier of (A) the expiration of the six (6)- month period measured from the date of Executive's "separation from service", and (B) the date of Executive's death (the "Delay Period") to the extent required under Code Section 409A. Upon the expiration of the Delay Period, all payments delayed pursuant to this Section (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid to Executive in a lump sum, and all remaining payments due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein; and

(ii) To the extent that any benefits to be provided during the Delay Period is considered deferred compensation under Code Section 409A provided on account of a “separation from service,” and such benefits are not otherwise exempt from Code Section 409A, Executive shall pay the cost of such benefits during the Delay Period, and the Company shall reimburse Executive, to the extent that such costs would otherwise have been paid by the Company or to the extent that such benefits would otherwise have been provided by the Company at no cost to Executive, the Company’s share of the cost of such benefits upon expiration of the Delay Period, and any remaining benefits shall be reimbursed or provided by the Company in accordance with the procedures specified herein.

(f) To the extent that severance payments or benefits pursuant to this Agreement are conditioned upon the execution and delivery by Executive of a release of claims, Executive shall forfeit all rights to such payments and benefits unless such release is signed and delivered (and no longer subject to revocation, if applicable) within sixty (60) days following the date of Executive’s Termination Date. If the foregoing release is executed and delivered and no longer subject to revocation as provided in the preceding sentence, payments or benefits shall commence upon the first scheduled payment date immediately after the date the release is executed and no longer subject to revocation (the “Release Effective Date”). The first such cash payment shall include payment of all amounts that otherwise would have been due prior to the Release Effective Date under the terms of this Agreement applied as though such payments commenced immediately upon Executive’s Termination Date, and any payments made thereafter shall continue as provided herein. The delayed benefits shall in any event expire at the time such benefits would have expired had such benefits commenced immediately following Executive’s Termination Date.

The Company may provide, in its sole discretion, that Executive may continue to participate in any benefits delayed pursuant to this section during the period of such delay, provided that Executive shall bear the full cost of such benefits during such delay period. Upon the date such benefits would otherwise commence pursuant to this Section, the Company may reimburse Executive the Company’s share of the cost of such benefits, to the extent that such costs would otherwise have been paid by the Company or to the extent that such benefits would otherwise have been provided by the Company at no cost to Executive, in each case had such benefits commenced immediately upon Executive’s Termination Date. Any remaining benefits shall be reimbursed or provided by the Company in accordance with the schedule and procedures specified herein.

(iii) For purposes of Code Section 409A, Executive’s right to receive any installment payment pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments.

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 one hundred ninety eight thousand six hundred dollars (\$198,600) commencing on December 12, 2006. Salary commencing on January 1, 2008 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 \$198,600.00. 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 Executive's title and salary grade in accordance with the compensation policies of NBTB with respect to executive personnel in effect as of the Commencement Date 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 as of the Commencement Date 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, restricted stock or stock units, 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) Equity Awards. Executive will be eligible for awards under NBTB's Omnibus Incentive 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 applicable to officers of Executive's rank employed by NBTB or its affiliates and 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 Executive. Executive shall be responsible for any income taxes associated with the personal use of such club membership.

(g) Withholding. All compensation to be paid to Executive hereunder shall be subject to applicable federal, state, and local taxes and all other required withholdings. Executive hereby acknowledges and agrees that he is responsible for all taxes in connection with any benefits, fringe benefits, or perquisites provided under this Agreement and he is not entitled to a Gross Up, except as specifically provided under Paragraph 2(c)(iii) or 2(d)(iv) of this Agreement, or as may be provided under the terms of the Change-in-Control Agreement.

(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 by NBTB, 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. All expenses or other reimbursements under this Agreement shall be made on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by Executive (provided that if any such reimbursements constitute taxable income to Executive, such reimbursements shall be paid no later than March 15th of the calendar year following the calendar year in which the expenses to be reimbursed were incurred), and no such reimbursement or expenses eligible for reimbursement in any taxable year shall in any way affect the expenses eligible for reimbursement in any other taxable year.

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, NBT Bank, or any of their 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 (collectively, "Confidential Information"). In this regard, NBTB asserts proprietary rights in all of its Confidential 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 acknowledges that in connection with his employment with NBTB, Executive has had or may have access to such Confidential Information, and he 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 Information obtained during the course of his employment by NBTB. In the event that disclosure is required by law, regulation, or order of a court or government authority, Executive agrees that as soon as practical and in any event no later than 30 days after receiving notice that Executive is required to make such disclosure, Executive will provide notice to the Company of such requirement by law, regulation, order of a court or government authority. This Section 4(a) 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 Confidential Information in his possession, whether tangible, electronic or intangible form.

(b) Executive acknowledges that in the course of employment with NBTB, Executive has had access to and gained knowledge of the trade secrets and other Confidential Information of NBTB, NBT Bank, or their affiliates; has had substantial relationships with the customers of NBTB, NBT Bank, or their affiliates; and has performed services of special, unique, and extraordinary value to NBTB, NBT Bank, or their affiliates. Therefore, Executive agrees that notwithstanding the termination of this Agreement for any reason, from the Commencement Date until the first anniversary of the Termination Date, the Executive shall not, directly or indirectly, on behalf of himself or any other person or entity, without the written consent of NBTB:

(i) become an officer, employee, consultant, director, or trustee of any savings bank, savings and loan association, savings and loan holding company, bank or bank holding company, where such position entails providing services to such company in any city, town, or county in which NBTB or NBT Bank or their affiliates has an office, determined as of the Termination Date, where Executive's position or service for such business is competitive with or otherwise similar to any of Executive's positions or services for NBTB or NBT Bank;

(ii) induce or solicit any customer, supplier, or agent of NBTB, NBT Bank, or their affiliates about whom Executive has gained Confidential Information or with whom Executive, by virtue of his employment with NBTB, has established a relationship or had frequent contact, to terminate or curtail an existing business or commercial relationship with NBTB, NBT Bank, or their affiliates;

(iii) induce or solicit any customer or supplier of NBTB, NBT Bank, or their affiliates about whom Executive has gained Confidential Information or with whom Executive, by virtue of his employment with NBTB, has established a relationship or had frequent contact, to provide or purchase goods or services similar to the goods or services provided by it to or purchased by it from NBTB, NBT Bank, or their affiliates; provided however, that the provisions of this clause (iii) only apply to those persons or entities who are customers or suppliers of NBTB, NBT Bank, or their affiliates as of the Termination Date or who were customers of NBTB, NBT Bank, or their affiliates during the one-year period prior to the Termination Date; or

(iv) solicit, induce, recruit, offer employment to, hire, or take any other action intended, or that a reasonable person acting in like circumstances would expect, to have the effect of causing any officer or employee of NBTB, NBT Bank, or their affiliates, to terminate his or her employment.

(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 NBT Bank or their 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:

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. Jeffrey M. Levy
701 Waldens Pond Road
Albany, New York 12203

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 and any other agreements expressly incorporated by reference herein constitute 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 NBTB 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. 409A Compliance. The intent of the parties is that payments and benefits under this Agreement comply with Code Section 409A and the regulations and guidance promulgated thereunder and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. In no event whatsoever shall NBTB be liable for any additional tax, interest or penalty that may be imposed on Executive by Code Section 409A or damages for failing to comply with Code Section 409A. Notwithstanding any other provision of this Agreement to the contrary, in no event shall any payment under this Agreement that constitutes "deferred compensation" for purposes of Code Section 409A be subject to offset, counterclaim or recoupment by any other amount payable to the Executive unless otherwise permitted by Code Section 409A.

13. 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 Chenango County, 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.

14. 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.

15. Company Right to Recover. If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company as a result of misconduct, with regard to any financial reporting requirement under the securities laws, and Executive is subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002 and Executive knowingly engaged in the misconduct, was grossly negligent in engaging in the misconduct, knowingly failed to prevent the misconduct or was grossly negligent in failing to prevent the misconduct, Executive shall reimburse the Company the amount of any payment earned or accrued during the 12-month period following the first public issuance or filing with the United States Securities and Exchange Commission (whichever first occurred) of the financial document that contained such material noncompliance.

Notwithstanding anything in this Agreement, if the Company is required to prepare an accounting restatement, Executive will forfeit any payments made based on the achievement of pre-established performance goals that are later determined, as a result of the accounting restatement, not to have been achieved.

16. 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.

17. 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 and
Chief Executive Officer

JEFFREY M. LEVY

/S/ Jeffrey M. Levy

SEPARATION AGREEMENT AND RELEASE

I. In consideration of receipt and acceptance of the separation payments described in the Employment Agreement and listed on Appendix A between NBT BANCORP INC. (“NBTB”) and Jeffrey M. Levy (“Executive”), dated November 5, 2009 (the “Employment Agreement”), into which this Separation Agreement and Release (“Separation Agreement”) is incorporated by reference, Executive, on behalf of himself and his agents, heirs, executors, administrators, successors, and assigns, unconditionally and generally releases NBTB and NBT Bank, National Association (“NBT Bank”), their respective current and former owners, officers, directors, parents, affiliates, subsidiaries, related entities, agents and employees, and the heirs, executors, administrators, successors and assigns of all of the foregoing (collectively, “Releasee”), from or in connection with, and Executive hereby waives and/or settles, with prejudice, any and all complaints, causes of action, suits, controversies, or any liability, claims, demands, or damages, known or unknown and of any nature whatsoever and which Executive ever had, now has or shall or may have as of [], the date of this Separation Agreement including without limitation, those arising directly or indirectly pursuant to or out of any aspect of Executive’s employment or termination from employment with NBTB, NBT Bank or any other Releasee.

II. Specifically, without limitation of the foregoing, the release and waiver of claims under this Separation Agreement shall include and apply to any rights and/or claims (i) arising under any contract or employment arrangement, express or implied, written or oral; (ii) for wrongful dismissal or termination of employment; (iii) arising under any applicable federal, state, local or other statutes, laws, ordinances, regulations or the like, or case law, that relate to employment or employment practices and/or specifically, that prohibit discrimination based upon age, race, religion, sex, national origin, disability or any other unlawful bases, including without limitation, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act of 1990, the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the Civil Rights Act of 1866, the Equal Pay Act of 1963, the Family Medical Leave Act of 1993, the Fair Labor Standards Act, the Employee Retirement Income Security Act of 1974, Executive Order 11246, the Worker Adjustment and Retraining Notification Act, all as amended, and any other statutes, orders, laws, ordinances, regulations applicable to Employee’s employment, of any state or city in which any Releasee is subject to jurisdiction, and/or any political subdivision thereof; (iv) based upon any other federal, state or local statutes, orders, laws, ordinances, regulations, case law, public policy, or common law or the like; (v) concerning recruitment, hiring, discharge, promotions, transfers, employment status, right to reemployment, wages, bonus or incentive pay, severance pay, stock or stock options, employment benefits (including, without limitation, sick or other leave, medical, disability, life, or any other insurance, 401(k), pension, other retirement plans or benefits, or any other fringe benefits), workers’ compensation, intentional or negligent misrepresentation and/or infliction of emotional distress, interference with contract, fraud, libel, slander, defamation, invasion of privacy or loss of consortium, together with any and all tort, contract, or other claims which have been or might have been asserted by Executive or on his behalf in any suit, charge of discrimination, or claim against the Releasee; and (vi) for damages, including without limitation, punitive or compensatory damages, or for attorneys’ fees, expenses, costs, wages, injunctive or equitable relief.

III. Executive expressly understands and acknowledges that it is possible that unknown losses or claims exist or that present losses may have been underestimated in amount or severity, and Executive explicitly took that into account in determining the amount of consideration to be paid for the giving of the release in this Separation Agreement, and a portion of said consideration and the mutual covenants were given in exchange for a full satisfaction and discharge of such claims.

IV. Executive and NBT Bank acknowledge that the above release and waiver of claims shall not apply to the obligation of NBT Bank to make payments (if any) of any vested benefit under NBT Bank's tax-qualified employee benefit plans nor to Executive's right to continue healthcare insurance under the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985.

V. Executive represents and warrants that he has not filed or commenced any complaints, claims, actions or proceeding of any kind against any Releasee with any federal, state or local court or any administrative or regulatory body. Except for Executive's right to bring a proceeding pursuant to the Older Workers Benefit Protection Act to challenge the release of claims in this Separation Agreement, and consistent with the EEOC Enforcement Guidance On Non-Waivable Employee Rights Under EEOC-Enforced Statutes dated April 11, 1997, and otherwise to the fullest extent permitted by law, Executive agrees not to commence or participate as a party in any proceeding in any court or forum against any Releasee which is based upon any act, omission or occurrence up to and including the date of the execution of this Separation Agreement. Executive further agrees not to encourage or participate in any action or proceeding brought by any person (except a government agency) against any Releasee. In the event any government agency seeks to obtain any relief on behalf of Executive with regard to any claim released by Executive, Executive agrees not to accept any relief or award from such proceeding.

VI. This Separation Agreement is not and shall not be construed as an admission by any Releasee or Executive of any wrongdoing or illegal acts or omissions and each party expressly denies that they engaged in any wrongdoing or illegal or acts or omissions. Executive shall not, except as may be required by law, make any oral or written negative, disparaging or adverse statements, suggestions or representations of or concerning NBT Bank or any Releasee.

VII. Executive agrees to cooperate reasonably with and to be readily available to NBT Bank to assist in any matter, including government agency investigations, court litigation or potential litigation, about which Executive may have knowledge. If Executive receives a subpoena or other legal process relating in any way to same, Executive immediately will provide NBT Bank notice of the contact or the service of such subpoena or other legal process, and shall cooperate with NBT Bank in responding.

VIII. Except as prohibited by law, each Releasee shall be excused from any obligation to make payment of the separation payments in the Employment Agreement in the event that paragraphs I through IV of this Separation Agreement are determined to be void or unenforceable, in whole or in part; or Executive is found to have made a material misstatement in any term, condition, representation or acknowledgement in this Separation Agreement, in either of which event Executive shall also be liable for any damages and costs suffered or incurred by any Releasee by reason of such misstatement or breach.

IX. This Separation Agreement shall be incorporated by reference into the Employment Agreement and shall be made a part thereof.

X. Executive agrees and acknowledges that:

(a) With respect to the General Release in Section II hereof, Executive agrees and understands that he is specifically releasing all claims under the Age Discrimination in Employment Act, as amended, 29 U.S.C. § 621 et seq. Executive acknowledges that he has read and understands this Agreement and executes it voluntarily and without coercion;

(b) Executive has been advised by NBT Bank to consult with an attorney before executing this Separation Agreement and has been given twenty-one (21) days to review this Separation Agreement and to consider whether to sign this Separation Agreement. Executive may elect to sign this Separation Agreement prior to the expiration of the twenty-one day consideration period specified herein, and Executive agrees that if he elects to do so, such election is knowing and voluntary and comes after full opportunity to consult with an attorney;

(c) Executive has the right to revoke this Separation Agreement within the seven (7) day period following the date Executive signs this Separation Agreement (the "Revocation Period") and any revocation shall be made by providing a signed notice in writing, delivered personally or by fax to the Human Resources Director at NBT Bancorp, 52 South Broad Street, Norwich, New York, 13815 no later than 5:00 p.m. on the seventh calendar day following his execution of this Separation Agreement;

(d) This Separation Agreement will not be effective or enforceable, and the separation payments under the Employment Agreement are not required and shall not be delivered or paid, until Executive has delivered a signed, notarized original of this Separation Agreement to the Human Resources Director at NBT Bancorp, 52 South Broad Street, Norwich, New York, 13815 and the Revocation Period has expired without revocation of this Separation Agreement. It is not necessary that any Releasee sign this Separation Agreement following Executive's full and complete execution of it for it to become fully effective and enforceable;

(e) Executive relied solely on his own judgment and/or that of this attorney regarding the consideration for and the terms of this Separation Agreement and is signing this Separation Agreement knowingly and voluntarily of his own free will;

(f) Executive is not entitled to the separation payments under the Employment Agreement unless he agrees to and honors the terms of the terms of this Separation Agreement; and

(g) Executive has read and understands this Separation Agreement and further understands that, subject to the limitations contained herein, it includes a general release of any and all known and unknown, foreseen or unforeseen claims presently asserted or otherwise arising through the date of his signing of this Separation Agreement that he may have against any Releasee.

XI. Executive understands all of the terms of this Separation Agreement, and agrees that such terms are fair, reasonable and are not the result of any fraud, duress, coercion, pressure or undue influence exercised by or on behalf of any Releasee; and Executive has agreed to and entered into this Separation Agreement and all of its terms, knowingly, freely and voluntarily.

XII. There are no other agreements of any nature between any Releasee and Executive with respect to the matters discussed in this Separation Agreement with respect to the matters discussed in this Separation Agreement, except as expressly stated herein, and in signing this Separation Agreement, Executive is not relying on any agreements or representation, except those expressly contained in this Separation Agreement.

XIII. This Separation Agreement shall be governed by the laws of New York, excluding the choice of law rules thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Separation Agreement.

Jeffrey M. Levy

Date _____

STATE OF NEW YORK)
 : ss.:
COUNTY OF)

On the ____ day of _____, 20__, personally came Jeffrey M. Levy and being duly sworn, acknowledged that he is the person described in and who executed the foregoing Separation Agreement and acknowledged that he executed same.

Notary Public

NBT BANCORP, INC.

By: _____ Date: _____

Title: _____

Appendix A

[Separation Payments]

DATE

DATE
ADDRESS

Dear _____:

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 ("the Agreement"), which has been approved by the Board, sets forth the severance compensation that the Company agrees will be provided to you in the event your employment with the Company terminated subsequent to a "change in control" of the Company under the circumstances described below.

1. 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. A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service."

(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, notwithstanding the terms of any written employment agreement you may have with the Company, 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 (all as defined herein), 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 DATE; provided, however, that commencing DATE and each DATE 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 for any reason, including any reasons provided for under the terms of any written employment agreement you may have with the Company, 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 Within 24 Months or Without Good Reason within 12 Months of the Change. If, (I) 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 Within 24 Months of Change in Control or Without Good Reason within 12 Months of the Change in Control. If your employment with the Company is terminated without Cause by the Company or with Good Reason by you within 24 months of a change in control, or by you within 12 months of a change in control of the Company without Good Reason, then, in consideration for your covenant not to compete and other post-termination obligations, the Company shall pay to you, upon demand, the following amounts (net of applicable payroll taxes and other required withholding):

(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 2.99 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 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, 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 Code Sections 402(e)(3) or 125, 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, and any other amounts that constitute taxable income to you from the Company, without reduction for salary reduction amounts excludible from income under Code Sections 402(e)(3) or 125.

(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, (i) 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, life insurance and health, dental and vision insurance plans, but excluding disability or accidental death and dismemberment insurance) 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 eligibility for and participation in such plans, programs, and arrangements 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; provided, further, that for health benefits that extend beyond the COBRA limitation period, the Company shall pay you an amount equal to the benefits that you would have received under this Section 3(c) without regard to such limitation, and (ii) your benefit under any supplemental retirement agreement supplemental retirement plan or any retirement plans maintained by the Company in which you are a participant shall be fully vested upon such termination of your employment, and your benefit under such agreement or plan shall be determined as if you had continued to be employed by the Company for three additional years (or the period after which the maximum benefit payable is attained, if less) and if your annual compensation for purposes of such agreement or plan during such period of additional employment had been equal to the amount specified in Section 3(b)(ii) (A) or (B), whichever is higher. 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, under this Section 3, 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)(iii), 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) Installment Payout. The amounts described in this subsection will be paid to you in equal annual payments with the first payment to be made within 30 days of your termination and the subsequent payments to be made by January 1 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 except to the extent provided in Section 3(c) of this Agreement.

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 (i) 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 inability to perform your duties, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

(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 position(s) 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. Increased Severance Payments Upon Application of Excise Tax.

(a) Adjustment of Payment. In the event any payments or benefits you become entitled to pursuant to this Agreement or any other payments or benefits received or to be received by you in connection with a change in control or your termination of employment (whether pursuant to the terms of any other agreement, plan, or arrangement, or otherwise, with the Company, any person whose actions result in a change in control or any person affiliated with the Company or such person) (collectively the "Severance Payments") will be subject to the tax (the "Excise Tax") imposed by Code Section 4999, the Company shall pay you an additional amount (the "Gross-Up Payment") so that the net amount retained by you, after deduction of the Excise Tax (but before deduction for any federal, state or local income tax) on the Severance Payments and after deduction for the aggregate of any federal, state, or local income tax and Excise Tax upon the Gross-Up Payment, shall be equal to the Severance Payments. Notwithstanding the foregoing, if the Severance Payments do not exceed three (3) times your "base amount" as defined within Code Section 280G ("Section 280G") by at least \$50,000, then the Company will not pay the Gross-Up Payment, and the payments due under this Agreement shall be reduced so that the Severance Payments would not result in the imposition of an excise tax under Code Section 4999. The payment reduction contemplated by the preceding sentence shall be implemented by determining the "Parachute Payment Ratio" (as defined below) for each "parachute payment" within the meaning of Section 280G, and then reducing the "parachute payments" in order beginning with the "parachute payment" with the highest Parachute Payment Ratio. For "parachute payments" with the same Parachute Payment Ratio, such "parachute payments" shall be reduced based on the time of payment of such "parachute payments" with amounts having later payment dates being reduced first. For "parachute payments" with the same Parachute Payment ratio and the same time of payment, such "parachute payments" shall be reduced on a pro rata basis (but not below zero) prior to reducing "parachute payments" with a lower Parachute Payment Ratio. For purposes hereof, the term "Parachute Payment Ratio" shall mean a fraction the numerator of which is the value of the applicable "parachute payment" for purposes of Section 280G and the denominator of which is the intrinsic value of such "parachute payment."

For purposes of determining whether any of the Severance Payments will be subject to the Excise Tax and the amount of such Excise Tax, (i) the entire amount of the Severance Payments shall be treated as "parachute payments" within the meaning of Code section 280G(b)(2) and as subject to the Excise Tax, unless and to the extent, in the written opinion of outside tax counsel selected by the Company's independent accountants and reasonably acceptable to you, such payments (in whole or in part) are not subject to the Excise Tax; and (ii) the value of any noncash benefits or any deferred payment or benefit (constituting a part of the Severance Payments) shall be determined by the Company's independent auditors in accordance with the principles of Code sections 280G(d)(3) and (4). For purposes of determining the amount of the Gross-Up Payment, you shall be deemed to pay federal income taxes at the highest marginal rate of the federal income taxation applicable to individuals (without taking into account surtaxes or loss or reduction of deductions) for the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rates of taxation in the state and locality of your residence on the date of Termination. In the event that the amount of Excise Tax you are required to pay is subsequently determined to be less than the amount taken into account hereunder, you shall repay to the Company promptly after the time that the amount of such reduction in Excise Tax is finally determined the amount of the reduction, together with interest on the amount of such reduction at the rate of 6 percent per annum from the date of the Gross-Up Payment, plus, if in the written opinion of outside tax counsel selected by the Company's independent accountants and reasonably acceptable to you, such payment (or a portion thereof) was not taxable income to you when reported or is deductible by you for federal income tax purposes, the net federal income tax benefit you actually realize as a result of making such payment pursuant to this sentence. In the event that the amount of Excise Tax you are required to pay is subsequently determined to exceed the amount taken into account hereunder, the Company shall make an additional Gross-Up Payment in the manner set forth above in respect of such excess (plus any interest, additions to tax, or penalties payable by you with respect to such excess) promptly after the time that the amount can be reasonably determined.

(b) Time of Payment: Estimated Payment. The payments provided for in subsection (a) above, shall be made not later than the fifth business day following the Date of Termination; provided, however, that if the amounts of such payments cannot be finally determined on or before such day, the Company shall pay to you on such day an estimate, as determined in good faith by the Company, of the minimum amount of such payments, and shall pay the remainder of such payments (together with interest at the rate of 6 percent per annum) as soon as the amount thereof can be determined. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to you, payable on the fifth day after demand by the Company (together with interest at the rate of 6 percent per annum).

10. Delay for Specified Employees. Notwithstanding any other payment schedule provided herein to the contrary, if you are deemed on the Date of Termination a “specified employee” within the meaning of that term under Code Section 409A(a)(2)(B), then each of the following shall apply:

(i) With regard to any payment that is considered deferred compensation under Code Section 409A payable on account of a “separation from service,” such payment shall be made on the date which is the earlier of (A) the expiration of the six (6) month period measured from the date of your “separation from service”, and (B) the date of your death (the “Delay Period”) to the extent required under Code Section 409A. Upon the expiration of the Delay Period, all payments delayed pursuant to this Section (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid to you in a lump sum, and all remaining payments due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein; and

(ii) To the extent that any benefits to be provided during the Delay Period is considered deferred compensation under Code Section 409A provided on account of a “separation from service,” and such benefits are not otherwise exempt from Code Section 409A, you shall pay the cost of such benefits during the Delay Period, and the Company shall reimburse you, to the extent that such costs would otherwise have been paid by the Company or to the extent that such benefits would otherwise have been provided by the Company at no cost to you, the Company’s share of the cost of such benefits upon expiration of the Delay Period, and any remaining benefits shall be reimbursed or provided by the Company in accordance with the procedures specified herein.

11. 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.

12. 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, provided that you ultimately prevail on a substantial claim in connection with such action. 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. All expenses and reimbursements under this Agreement shall be made on or prior to the last day of the taxable year following the taxable year in which you incurred such expenses (provided that if any such reimbursements constitute taxable income to you, such reimbursements shall be paid no later than March 15th of the calendar year following the calendar year in which the expenses to be reimbursed were incurred), and no such reimbursement or expenses eligible for reimbursement in any taxable year shall in any way affect the expenses eligible for reimbursement in any other taxable year.

13. 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.

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.

15. Code Section 409A Compliance. The intent of the parties is that payments and benefits under this Agreement comply with Code Section 409A and the regulations and guidance promulgated thereunder, and accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. In no event whatsoever shall the Company be liable for any additional tax, interest or penalty that may be imposed on you by Code Section 409A or damages for failing to comply with Code Section 409A. Notwithstanding any other provision of this Agreement to the contrary, in no event shall any payment under this Agreement that constitutes "deferred compensation" for purposes of Code Section 409A be subject to offset, counterclaim or recoupment by any other amount payable to you unless otherwise permitted by Code Section 409A.

16. Company Right to Recover. If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company as a result of misconduct, with regard to any financial reporting requirement under the securities laws, and you are subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002 and you knowingly engaged in the misconduct, was grossly negligent in engaging in the misconduct, knowingly failed to prevent the misconduct or was grossly negligent in failing to prevent the misconduct, you shall reimburse the Company the amount of any payment earned or accrued during the 12-month period following the first public issuance or filing with the United States Securities and Exchange Commission (whichever first occurred) of the financial document that contained such material noncompliance.

Notwithstanding anything in this Agreement, if the Company is required to prepare an accounting restatement, you will forfeit any payments made based on the achievement of pre-established performance goals that are later determined, as a result of the accounting restatement, not to have been achieved.

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: _____

AGREED TO:

EMPLOYEE

FIRST AMENDMENT TO SPLIT-DOLLAR AGREEMENT

THIS AGREEMENT dated November 5, 2009 (the "First Amendment") amends that certain SPLIT DOLLAR AGREEMENT (the "Split Dollar Agreement") that was made and entered into as of the 1st day of May, 2009 by and among NBT BANCORP INC., a Delaware corporation, and NBT BANK, N.A., a national banking association organized under the laws of the United States (collectively, the "Bank"), and NBT BANK, N.A., a corporate trustee, residing in the State of New York (the "Trustee"), for the Martin A. Dietrich Irrevocable Life Insurance Trust No. 1 (the "Trust").

WITNESSETH:

WHEREAS, the Bank and the Trust entered into the Split Dollar Agreement; and

WHEREAS, the Bank and the Trust desire to clarify the provisions of the Split Dollar Agreement concerning termination of the Split Dollar Agreement;

WHEREAS, Section 9 of the Split Dollar Agreement provides that it may not be amended, altered or modified, except by a written instrument signed by the Bank and the Trust, or their respective successors or assigns.

NOW, THEREFORE, in consideration of the mutual promises of the parties hereto, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Effective on the date hereof, Section 6 of the Split Dollar Agreement is deleted in its entirety and replaced with the following:

6. Termination of the Agreement During the Employee's Lifetime.

(a) This Agreement may be terminated at any time while the Employee is living by a written instrument signed by the Bank and the Trustee.

(b) The Bank may unilaterally terminate this Agreement while the Employee is living by written notice to the Trustee at any time after the Employee has ceased to be (i) both the President and Chief Executive Officer of the Bank and (ii) a member of the Board of the Bank, subject to subsection 6(c), below.

(c) The terms of subsection 6(b), above, notwithstanding, if the cessation of the Employee's employment as President and/or Chief Executive Officer of the Bank or Employee's Board membership is due to disability (as defined pursuant to the Bank's Long-Term Disability Plan), the Bank may not unilaterally terminate this agreement, but this Agreement shall continue in force until the earliest to occur of the following: (i) Employee reaching age 65, (ii) the Employee electing to receive his qualified retirement plan benefits or (iii) his ineligibility for benefits under the Bank's Long-Term Disability Plan. If at the occurrence of the first of these events the Employee is eligible to begin receiving benefits hereunder, this Agreement will continue and the Employee shall then receive benefits in accordance with the terms of this Plan. If, on the other hand, the Employee is not otherwise eligible to receive benefits hereunder, this Agreement shall terminate at that time unless the Employee thereupon returns to employment as the President and Chief Executive Officer of the Bank or as a member of the Board of Directors of the Bank, which shall continue the Agreement in full force.

(d) In any event, upon termination of this Agreement pursuant to this Section 6, the Bank cannot assign, transfer, convey or sell the Policy to the Employee or any agent of the Employee for the Employee's behalf.

2. All other terms of the Split Dollar Agreement remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment, in duplicate, as of the day and year first above written.

NBT BANCORP INC.

By: _____
Title: _____

NBT BANK, N.A.

By: _____
Title: _____

NBT BANK, N.A., AS TRUSTEE

By: _____
Title: _____

AMENDED AND RESTATED
SUPPLEMENTAL RETIREMENT AGREEMENT
EFFECTIVE NOVEMBER 5, 2009

The attached document (**Amended and Restated NBT Bancorp Inc. Supplemental Executive Retirement Plan**, effective as of DATE) sets forth the terms of an agreement for the payment of supplemental retirement income made as of DATE between **NBT Bancorp Inc.**, a Delaware corporation and a registered financial holding company headquartered at 52 S. Broad Street, Norwich, New York 13815, and **EMPLOYEE**, an individual residing at ADDRESS. The parties hereby execute this agreement as follows:

NBT BANCORP INC.

By: _____

Date: _____

EMPLOYEE

Date: _____

PREAMBLE

This Amended and Restated NBT Bancorp Inc. Supplemental Executive Retirement Plan (the “Plan”) is effective as of DATE. The purpose of the Plan is to permit certain employees of NBT Bancorp Inc. (the “Company”), its subsidiary, NBT Bank, National Association (the “Bank”) and adopting affiliated employers to receive supplemental retirement income when such amounts would be due under the benefit and contribution formulas in the tax-qualified NBT Bancorp Inc. Defined Benefit Pension Plan and NBT Bancorp Inc. 401(k) and Employee Stock Ownership Plan but cannot be paid thereunder due to the reductions and other limitations imposed by Sections 401(a)(17), 401(k)(3), 401(m) and 415 of the Internal Revenue Code of 1986, as amended and to provide such employees’ with an aggregate retirement benefit (taking into consideration amounts paid under such Plans and social security benefits) commencing following retirement at or after age 62 of not less than 50% of such employees’ final average compensation, subject to the terms of the Plan. Capitalized terms are defined in Article 1 below.

The Plan is intended to be an unfunded, non-qualified deferred compensation plan. Neither the Employer, the Committee, nor the individual members of the Committee shall segregate or otherwise identify specific assets to be applied to the purposes of the Plan, nor shall any of them be deemed to be a trustee of any amounts to be paid under the Plan. Any liability of the Employer to any person with respect to benefits payable under the Plan shall be based solely upon such contractual obligations, if any, as shall be created by the Plan, and shall give rise only to a claim against the general assets of the Employer. No such liability shall be deemed to be secured by any pledge or any other encumbrance on any specific property of the Employer.

ARTICLE 1

DEFINITIONS

The following words and phrases shall have the meanings hereafter ascribed to them. Those words and phrases which have limited application are defined in the respective Articles in which such terms appear.

1.1 “Actuarial Equivalent” shall have the same meaning the term “Actuarial Equivalent” has under Section 2.03 of Appendix A to the Basic Retirement Plan using the following actuarial assumptions:

Mortality: “Applicable Mortality Rate” as such term is defined in Section 2.03c of Appendix A to the Basic Retirement Plan.

Interest Rate: “Applicable Interest Rate” as such term is defined in Section 2.09b of Appendix A to the Basic Retirement Plan.

1.2 “Bank” means NBT Bank, National Association or any successor thereto by merger, consolidation or otherwise by operation of law.

- 1.3 “Basic 401(k)/ESOP” means the NBT Bancorp Inc. 401(k) and Employee Stock Ownership Plan, as amended from time to time.
- 1.4 “Basic 401(k)/ESOP Benefit” means the benefit paid to a Participant under the Basic 401(k)/ESOP and includes benefits payable upon Normal Retirement, Early Retirement, Postponed Retirement, death or termination of service.
- 1.5 “Basic 401(k)/ESOP Surviving Spouse Benefit” means the benefit payable to a Participant’s surviving spouse under the Basic 401(k)/ESOP upon the Participant’s death before a distribution of the Participant’s entire Basic 401(k)/ESOP account balance.
- 1.6 “Basic Retirement Plan” means the NBT Bancorp Inc. Defined Benefit Pension Plan, as amended from time to time.
- 1.7 “Basic Retirement Plan Benefit” means the benefit payable to a Participant under the Basic Retirement Plan and includes benefits payable upon Normal Retirement, Early Retirement, Postponed Retirement, death or termination of service.
- 1.8 “Basic Retirement Plan Surviving Spouse Benefit” means the benefit payable to a Participant’s surviving spouse or eligible children under the Basic Retirement Plan upon the Participant’s death, if any.
- 1.9 “Beneficiary” means such living person or living persons designated by the Participant in accordance with Section 7.3(a) to receive the Supplemental Retirement Benefit after his or her death, or his or her personal or legal representative, all as herein described and provided. If no Beneficiary is designated by the Participant or if no Beneficiary survives the Participant, the Beneficiary shall be the Participant’s estate.
- 1.10 “Board” means the Board of Directors of the Company, as duly constituted from time to time.
- 1.11 “Cause” means the Participant’s (a) conviction of robbery, bribery, extortion, embezzlement, fraud, grand larceny, burglary, perjury, income tax evasion, misapplication of Employer funds, false statements in violation of 18 U.S.C. § 1001, or any other felony that is punishable by a term of imprisonment of more than one year; (b) material breach of his or her duty of loyalty to the Employer; (c) acts or omissions in the performance of his or her duties having a material adverse effect on the Employer that were not done or omitted to be done in good faith or which involved intentional misconduct or a knowing violation of law; or (d) any transaction in the performance of his or her duties with the Employer from which he or she derived a material improper personal benefit.
- 1.12 “Change in Control” means:

(i) A change in control with respect to the Company or the Bank 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 (including an individual, corporation, partnership, trust, association, joint venture, pool, syndicate, unincorporated organization, joint-stock company or similar organization or group acting in concert) 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 common stock and other voting securities of the Company; 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 shareholders of the Company, 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 it is not the continuing or surviving corporation or pursuant to which voting securities of the Company would be converted into cash, securities, or other property, other than a merger of the Company in which the holders of its common stock and other voting securities immediately before the merger have substantially the same proportionate ownership of common stock and other voting securities, respectively, 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 or the Bank, 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; or

(iv) Approval by the shareholders of the Company of any plan or proposal for its liquidation or dissolution.

1.13 “Code” means the Internal Revenue Code of 1986, as amended from time to time.

1.14 “Committee” means the Plan’s administrative committee, as appointed by the Board to administer the Plan, as described in Article 10.

1.15 “Company” means NBT Bancorp Inc. or any successor thereto by merger, consolidation or otherwise by operation of law.

1.16 “Confidential Information” means business methods, creative techniques and technical data of the Company, the Bank and their affiliates that are deemed by the Company, the Bank or any such affiliate to be and are in fact confidential business information of the Company, the Bank or its affiliates or are entrusted to the Company, the Bank or its affiliates by third parties, and includes, but is not limited to, procedures, methods, sales relationships developed while the Participant is in the service of the Company, the 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 the Company, the Bank or their affiliates, and compositions, ideas, plans, and methods belonging to or related to the affairs of the Company, the Bank or their affiliates, except for such information as is clearly in the public domain, provided, that information that would be generally known or available to persons skilled in the Participant’s fields shall be considered to be “clearly in the public domain” for this purpose.

- 1.17 “Default Payment Commencement Date” means the later of: (a) the first day of the month following the month in which the Participant attains age 62, and (b) in the event the Participant incurs a Separation from Service due to his or her death, the first day of the month following the date of death or, in the event the Participant incurs a Separation from Service other than by reason of death, the first day of the seventh month following the date on which the Participant incurs a Separation from Service.
- 1.18 “Deferral Credit Account” means the bookkeeping account maintained in the name of the Employer, on behalf of each Participant, pursuant to Article 5.
- 1.19 “Determination Date” means the earlier of (i) the date of termination of the Participant’s employment with the Employer or (ii) the first day of the month following the Participant’s 65th birthday.
- 1.20 “Effective Date” means July DATE.
- 1.21 “Employee” means a person who is an employee of the Employer.
- 1.22 “Employer” means the Company, the Bank and any subsidiary or affiliated corporation of either of them which, with the approval of the Board and subject to such conditions as the Board may impose, adopts the Plan, and any successor or successors of any of them.
- 1.23 “Final Average Compensation” shall have the same meaning as the term “Final Average Compensation” has under Section 2.27 of Appendix A to the Basic Retirement Plan, except that in determining the amount of Compensation (as defined in Section 2.14 of Appendix A to the Basic Retirement Plan) to be used in calculating Final Average Compensation under Section 2.27 of Appendix A to the Basic Retirement Plan, Compensation shall not be subject to the compensation limitation of section 401(a)(17) of the Code.
- 1.24 “401(k)/ESOP Benefit” means the deferred compensation 401(k)/ESOP Benefit provided to Participants and their beneficiaries in accordance with the applicable provisions of the Plan.
- 1.25 “Full-Time Employee” shall mean an Employee who works not less than 1,000 hours in a calendar year.
- 1.26 “Other Retirement Benefits” means the sum of:
- (a) The annual benefit payable to the Participant from the Basic Retirement Plan; plus
 - (b) The annual Retirement Income Benefit payable to the Participant hereunder; plus

- (c) The annual amount of any supplemental retirement benefit payable to the Participant by the Employer or any other Employer pursuant to any Supplemental Retirement Agreement with the Participant (other than amounts attributable to elective deferrals of such Participant's compensation); plus
- (d) The annual benefit that could be provided by (A) Employer contributions (other than elective deferrals) made on the Participant's behalf under the Basic 401(k)/ESOP, and (B) actual earnings on contributions in (A), if such contributions and earnings were converted to a benefit payable at age 62 in the same form as the Supplemental Retirement Benefit, using the same actuarial assumptions as are provided under Section 1.1; plus
- (e) The annual benefit that could be provided by the Participant's Deferral Credit Account, if such Deferral Credit Account were converted to a benefit payable at age 62 in the same form as the Supplemental Retirement Benefit, using the same actuarial assumptions as are provided under Section 1.1.

The amount of Other Retirement Benefits shall be determined by an actuary selected by the Company, with such determination to be made without regard to whether the Participant is receiving payment of such benefits on the Determination Date. To the extent the Participant receives a payment of Other Retirement Benefits described in 1.26(d) or (e) prior to the date the Supplemental Retirement Benefit is determined pursuant to this Plan, the total of such Other Retirement Benefits shall be determined by including and assuming that such amounts earned interest at a variable rate equal to the one-year United States Treasury bill rate as reported in the New York edition of The Wall Street Journal on the Determination Date from the date received to the date Other Retirement Benefits are calculated for purposes of this Plan.

- 1.27 "Participant" means an Employee who has been designated by the Employer as eligible to participate in the Plan and who becomes a Participant pursuant to the provisions of Article 2.
- 1.28 "Payment Commencement Date" means the later of (a) the first day of the seventh month following the date a Participant incurs a Separation from Service other than by reason of death, or if due to death, the first day of the month following the Participant's death, and (b) the date elected by the Participant in his or her valid Payment Election.
- 1.29 "Payment Election" means a Participant's election on the form provided by the Company of a Payment Commencement Date and the form in which payment shall be made in accordance with the procedures established by the Committee for such purpose.
- 1.30 "Plan" means the NBT Bancorp Inc. Supplemental Executive Retirement Plan, as herein set forth, and as it may hereafter be amended from time to time.

- 1.31 “Plan Limitation Provisions” means provisions of the Basic 401(k)/ESOP and the Basic Retirement Plan that reduce or restrict an Employee’s employer-provided benefits under the Basic Retirement Plan and employer matching contributions to the Basic 401(k)/ESOP (including Article IX and the last sentence of Section 1.12 of the Basic Retirement Plan and the next to last paragraph of Section 1.14, the third paragraph of Section 1.33 and Sections 4.5, 4.7 and 4.9 of the Basic 401(k)/ESOP, or the corresponding provisions of any amendment to such Plans) in order to satisfy the limitations imposed by one or more of the following: (i) Section 401(a)(17) of the Code, (ii) Section 401(k)(3) of the Code, (iii) Section 401(m) of the Code, or (iv) Section 415 of the Code.
- 1.32 “Plan Year” means the period from the Effective Date through December 31, 2001 and each calendar year thereafter within which the Plan is in effect.
- 1.33 “Present Value” means the present value of a benefit determined on the basis of the actuarial assumptions specified in Section 1.1
- 1.34 “Separation from Service” means a “separation from service” within the meaning of Treas. Reg. §1.409A-1(h) and in accordance with the default rules thereunder, which includes termination of a Participant’s employment with the Company or any Affiliate, whether voluntarily or involuntarily, by reason of death, retirement, becoming disabled, resignation or discharge. Transfer to employment with an Affiliate shall not be treated as a Separation from Service.
- 1.35 “Social Security Benefit” means the Participant’s actual social security benefit at his or her Social Security Retirement Age.
- 1.36 “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 Basic Retirement Plan.
- 1.37 “Retirement Income Benefit” means the deferred compensation retirement income benefit determined pursuant to Article 4.
- 1.38 “Supplemental Retirement Benefit” means the deferred compensation retirement benefit determined pursuant to Article 6.
- 1.39 “Supplemental Surviving Spouse Benefit” means the survivor death benefit payable to a Participant’s surviving spouse, pursuant to the provisions of Sections 8.1 through 8.3.
- 1.40 “Year of Service” means a calendar year in which the Participant completes not less than 1,000 Hours of Service (as defined in Section 1.25 of the Basic Retirement Plan) with an Employer.

Words importing males shall be construed to include females and the singular shall be construed to include the plural, and vice versa, wherever appropriate.

ARTICLE 2

ELIGIBILITY AND PARTICIPATION

- 2.1 Plan eligibility is limited to a select group of management or highly compensated Employees, as designated in writing by the Board, who participate in the Basic Retirement Plan, the Basic 401(k)/ESOP or both such plans.

From time to time, the Company may designate one or more Employees who participate in the Basic Retirement Plan, the Basic 401(k)/ESOP or both such plans as participants in the Plan, from the class of Employees participating in the Basic Retirement Plan, the Basic 401(k)/ESOP or both such plans who are members of a select group of management Employees or are highly compensated Employees. Newly eligible Employees shall participate as of the date specified by the Board.

- 2.2 The Company may, from time to time, remove any Participant from participation in the Plan; *provided*, however, that, subject to Section 12.4, such removal will not reduce the amount of Retirement Income Benefit and 401(k)/ESOP Benefit credited to the Participant under the Plan, as determined as of the date of such Participant's removal. A Participant so removed shall remain a Participant until all benefits are distributed in accordance with the provisions of the Plan.

- 2.3 The Committee may provide each eligible Employee with appropriate forms in connection with participation in the Plan.

ARTICLE 3

RETIREMENT DATE

- 3.1 A Participant's Retirement Date shall be his or her date of actual retirement, which may be his or her Normal, Early, Disability or Postponed Retirement Date, whichever is applicable pursuant to the following sections of this Article 3.

- 3.2 A Participant's Normal Retirement Age shall be the 65th anniversary of his or her birth. Such Participant's Normal Retirement Date shall be the date coinciding with Normal Retirement Date under the Basic Retirement Plan.

- 3.3 A Participant may retire on an Early Retirement Date, which shall be the date coinciding with the initial distribution of an early retirement benefit under the Basic Retirement Plan.

- 3.4 A Participant may retire on a Disability Retirement Date, which shall be the date coinciding with the initial distribution of a disability retirement benefit under the Basic Retirement Plan.

- 3.5 If a Participant continues in the employment of the Employer beyond Normal Retirement Date, the date coinciding with postponed retirement under the Basic Retirement Plan shall be the Participant's Postponed Retirement Date.

ARTICLE 4

RETIREMENT INCOME BENEFIT

- 4.1 The Retirement Income Benefit payable to an eligible Participant in the form of a life annuity with five years certain commencing on his or her Normal, Early, Disability or Postponed Retirement Date, as the case may be, shall be equal to the excess, if any, of the amount specified in (a) over the amount specified in (b), as stated below:
- (a) the monthly amount of Basic Retirement Plan retirement income payable upon Normal, Early or Postponed Retirement Date, as the case may be, to which the Participant would have been entitled under the Basic Retirement Plan (including any payments credited as a result of a Participant being a Disabled Participant (as defined in the Basic Retirement Plan)), if such benefit were calculated under the Basic Retirement Plan without giving effect to the limitations and restrictions imposed by the application of Plan Limitation Provisions and any other provisions of the Basic Retirement Plan that are necessary to comply with Code Sections 401(a)(17) and 415, or any successor provisions thereto;
 - (b) the sum of (i) the monthly amount of Basic Retirement Plan retirement income payable upon Normal, Early or Postponed Retirement Date, as the case may be, actually payable to the Participant under the Basic Retirement Plan (including any payments credited as a result of a Participant being a Disabled Participant (as defined in the Basic Retirement Plan)), after the limitations and restrictions imposed by the application of the Plan Limitation Provisions and any other provisions of the Basic Retirement Plan that are necessary to comply with Code Sections 401(a)(17) and 415, or any successor provisions thereto, plus (ii) the monthly amount of retirement income that is the actuarial equivalent (determined in accordance with the Basic Retirement Plan) of any supplemental retirement benefit payable to the Participant by any Employer upon Normal, Early or Postponed Retirement Date, as the case may be, pursuant to any Supplemental Retirement Agreement with the Participant.
- 4.2 With respect to eligible Participants who terminate their employment other than on a Retirement Date specified in Article 3, the vested Retirement Income Benefit payable in the form of a life annuity with five years certain, commencing on the date the Participant is eligible for a vested retirement benefit under the Basic Retirement Plan, shall be equal to the excess, if any, of the amount specified in (a) over the amount specified in (b), as stated below:

- (a) the monthly amount of Basic Retirement Plan vested retirement income payable upon termination of service to which the Participant would have been entitled under the Basic Retirement Plan, if such benefit were calculated under the Basic Retirement Plan without giving effect to the limitations and restrictions imposed by the application of the Plan Limitation Provisions and any other provisions of the Basic Retirement Plan that are necessary to comply with Code Sections 401(a)(17) and 415, or any successor provisions thereto;
- (b) the sum of (i) the monthly amount of Basic Retirement Plan vested retirement income payable upon termination of service actually payable to the Participant under the Basic Retirement Plan, after the limitations and restrictions imposed by the application of the Plan Limitation Provisions and any other provisions of the Basic Retirement Plan that are necessary to comply with Code Sections 401(a)(17) and 415, or any successor provisions thereto, plus (ii) the monthly amount of retirement income that is the actuarial equivalent (determined in accordance with the Basic Retirement Plan) of any supplemental retirement benefit payable to the Participant by any Employer following such termination of service pursuant to any Supplemental Retirement Agreement with the Participant.

ARTICLE 5

SUPPLEMENTAL 401(k)/ESOP BENEFIT AND DEFERRAL CREDIT ACCOUNTS

- 5.1 The 401(k)/ESOP Benefit under the Plan shall equal the discretionary and matching contributions or other Employer-provided benefit to the extent provided for under the Basic 401(k)/ESOP (disregarding the limitations and restrictions imposed by the application of the Plan Limitation Provisions and any other provisions of the Basic 401(k)/ESOP that are necessary to comply with Code Sections 401(a)(17), 401(k)(3), 401(m), and 415, or any successor provisions thereto) for plan years of the Basic 401(k)/ESOP ending after the Effective Date, less any such amount actually contributed by the Employer to the Basic 401(k)/ESOP for such plan years (to the extent permitted by the terms thereof, taking into account the limitations and restrictions imposed by the application of the Plan Limitation Provisions and any other provisions of the Basic 401(k)/ESOP that are necessary to comply with Code Sections 401(a)(17), 401(k)(3), 401(m), and 415, or any successor provisions thereto), adjusted for income, gains and losses based on deemed investments, pursuant to Section 5.4 below. For purposes of this Section 5.1, it shall be assumed that the Participant has made Basic 401(k)/ESOP contributions, on a before-tax or after-tax basis, as are necessary to qualify for the maximum Employer provided benefit available under the Basic 401(k)/ESOP to similarly situated Basic 401(k)/ESOP Participants who are not affected by such restrictions and limitations.
- 5.2 The 401(k)/ESOP Benefit under the Plan shall be accounted for by the Employer under a Deferral Credit Account, maintained in the name of the Employer, on behalf of each Participant.

- 5.3 Each Deferral Credit Account maintained by the Employer shall be credited with units on behalf of each Participant, as appropriate in accordance with the 401(k)/ESOP Benefit, as soon as administratively practicable, but in no event later than March 15 of the Plan Year following the Plan Year in which Basic 401(k)/ESOP contributions on behalf of the Participant were limited or restricted.
- 5.4 The 401(k)/ESOP Benefit credited annually to each Participant's Deferral Credit Account under the Plan shall be deemed to be invested on a time weighted basis, based upon the crediting of the Deferral Credit Account under Section 5.3 above, as if such amounts had been invested in the same manner as the investment of the corresponding amounts pursuant to the Basic 401(k)/ESOP, and such Account shall be credited with income and gains, and charged with losses, as if such investments had actually been made.

ARTICLE 6

SUPPLEMENTAL RETIREMENT BENEFIT

- 6.1 If an eligible Participant shall remain employed by the Employer until reaching his or her 62nd birthday, serving as a Full-Time Employee until such date, and subject to the other terms and conditions of this Plan, the Company shall pay such Participant an annual "Supplemental Retirement Benefit" determined as follows:
- (a) the Participant shall be entitled to a Supplemental Retirement Benefit on and after his or her 62nd birthday but before his or her Social Security Retirement Age in an amount equal to the excess, if any, of (1) XX percent of the Participant's Final Average Compensation, over (2) the Participant's Other Retirement Benefits, determined as of the Determination Date.
 - (b) the Participant shall be entitled to a Supplemental Retirement Benefit on and after his or her Social Security Retirement Age in an amount equal to the excess, if any, of (1) XX percent of the Participant's Final Average Compensation, over (2) the sum of (aa) the Participant's Other Retirement Benefits, determined as of the Determination Date, plus (bb) the Participant's Social Security Benefit.
- 6.2 If an eligible Participant shall remain employed by the Employer until reaching his or her XXth birthday, serving as a Full-Time Employee until such date and he or she continues to serve as a Full-Time Employee until the date of his or her retirement, and he or she retires then or thereafter but before reaching his or her XXnd birthday, and subject to the other terms and conditions of this Plan, the Company shall pay such Participant after the date of his or her retirement, pursuant to Section 7.2(b), or to his or her spouse or other Beneficiary, pursuant and subject to Section 8.6(c) if he or she has died before his or her XXnd birthday, a reduced early Supplemental Retirement Benefit calculated in accordance with the following schedule:

- (a) if the date of the Participant's retirement shall be on or after his or her XXth birthday but before his or her XXst birthday, the Company shall pay such Participant XX% of the Supplemental Retirement Benefit calculated in accordance with Section 6.1; and
- (b) if the date of the Participant's retirement shall be on or after his or her XXst birthday but before his or her XXnd birthday, the Company shall pay such Participant XX% of the Supplemental Retirement Benefit so calculated.

ARTICLE 7

**MODES OF BENEFIT PAYMENT AND
VESTING OF BENEFITS**

7.1 Payment of any Retirement Income Benefit and 401(k)/ESOP Benefit under the Plan to a Participant, beneficiary, joint or contingent annuitant or eligible child shall be made in the normal form in which benefits are made under the Basic Retirement Plan and Basic 401(k)/ESOP, respectively, and commence on the Default Payment Commencement Date; provided, however, that payment shall instead be made in accordance with the Participant's Payment Election if the Participant has in place a valid Payment Election. To be valid, the Payment Election shall be an irrevocable election made on such form provided by the Company and filed with the Company no later than December 31, 2008. Notwithstanding any provision to the contrary in the Plan, payment of any Retirement Income Benefit and 401(k)/ESOP Benefit to a Participant shall commence on the Payment Commencement Date (or as soon as reasonably practicable thereafter retroactive to a Participant's Payment Commencement Date, but in no event more than 60 days following the Payment Commencement Date).

Any Retirement Income Benefit paid from the Plan in a form other than a life annuity shall be the actuarial equivalent of a life annuity, utilizing the actuarial equivalent factors set forth in the Basic Retirement Plan and applied to obtain the optional mode of payment thereunder.

7.2 The Supplemental Retirement Benefit shall be paid:

- (a) except as provided in Section 7.2(b) (early retirement) and Section 8.6 (death), commencing on the first day of the month following the later of the Participant's retirement or his or her attainment of age XX; or
- (b) commencing on the first day of the month following the Participant's Determination Date in connection with early retirement after reaching age XX and prior to the date of his or her XXnd birthday, and
- (c) notwithstanding anything herein to the contrary, no Supplemental Retirement Benefit shall commence under this Plan before the date which is the seventh (7th) month following the Participant's "separation from service" with the Company as that phrase is defined for purposes of section 409A of the Code.

7.3 The Supplemental Retirement Benefit shall be paid in the form specified below:

- (a) The Supplemental Retirement Benefit shall be paid as a straight life annuity, payable in monthly installments, for the Participant's life; provided, however, that if the Participant has no surviving spouse and dies before having received 60 monthly payments, such monthly payments shall be continued to his or her Beneficiary until the total number of monthly payments to the Participant and his or her Beneficiary equal 60, whereupon all payments shall cease and the Company's obligation to pay the Supplemental Retirement Benefit under shall be deemed to have been fully discharged. If the Participant and his or her 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 the Participant and his or her Beneficiary. If Supplemental Retirement Benefits are payable in the form described in this Section 7.3(a), the Participant shall designate in writing, as his or her Beneficiary, any person or persons, primarily, contingently or successively, to whom the Company shall pay benefits following the Participant's death if the Participant's death occurs before 60 monthly payments have been made.
- (b) Notwithstanding the form of payment described in Section 7.3(a), if the Participant is married on the date payment of the Supplemental Retirement Benefit commences, the benefit shall be paid as a 50% joint and survivor annuity with the Participant's spouse as the Beneficiary. The 50% joint and survivor annuity shall be the Actuarial Equivalent of the benefit described in Section 7.3(a). If the Supplemental Retirement Benefit is payable pursuant to this Section 7.3(b), but the Participant's spouse fails to survive him or her, no payments of the Supplement Retirement Benefit will be made following the Participant's death.

7.4 Subject to Section 12.4, each Participant shall have a 100 percent vested and non-forfeitable right to benefits under the Plan.

ARTICLE 8

DEATH BENEFITS

8.1 Upon the death of: (i) a Participant who has not terminated from employment before Retirement Date as defined in Section 3.1, or (ii) a Participant who retires on a Retirement Date as defined in Section 3.1 and dies before the complete distribution of Basic Retirement Plan Benefit and Basic 401(k)/ESOP Benefit, as the case may be, benefits shall be payable as set forth in Sections 8.2, 8.3 and 8.4.

- 8.2 With respect to any Retirement Income Benefit, if a Basic Retirement Plan pre-retirement survivor annuity or post retirement survivor annuity, as the case may be, is payable to a Participant's surviving spouse or eligible children, if applicable, a supplemental pre-retirement survivor annuity or post retirement survivor annuity, as the case may be, shall be payable to the surviving spouse or eligible children, if applicable, under the Plan. The monthly amount of the Supplemental Surviving Spouse Benefit pre-retirement survivor annuity or post retirement survivor annuity, as the case may be, payable to a surviving spouse or eligible children, if applicable, shall be equal to the excess, if any, of the amount specified in (a) over the amount specified in (b), as stated below:
- (a) the monthly amount of Basic Retirement Plan pre-retirement survivor annuity or post retirement survivor annuity, as the case may be, to which the surviving spouse or eligible children, if applicable, would have been entitled under the Basic Retirement Plan, if such benefit were calculated under the Basic Retirement Plan without giving effect to the limitations and restrictions imposed by the Plan Limitation Provisions and any other provisions of the Basic Retirement Plan that are necessary to comply with Code Sections 401(a)(17) and 415, or any successor provisions thereto;
 - (b) (i) the monthly amount of Basic Retirement Plan pre-retirement survivor annuity or post retirement survivor annuity, as the case may be, actually payable to the surviving spouse or eligible children, if applicable, under the Basic Retirement Plan, after the limitations imposed by the application of Plan Limitation Provisions and any other provisions of the Basic Retirement Plan that are necessary to comply with Code Sections 401(a)(17) and 415, or any successor provisions thereto plus (ii) the monthly amount that is the actuarial equivalent (determined in accordance with the Basic Retirement Plan) of any supplemental retirement benefit payable to the surviving spouse or eligible children, if applicable, by any Employer following the Participant's death pursuant to any Supplemental Retirement Agreement with the Participant.
- 8.3 The Retirement Income Benefit supplemental pre-retirement survivor annuity or post retirement survivor annuity shall be payable over the lifetime of the surviving spouse, or to eligible children to the extent provided in the Basic Retirement Plan, in monthly installments commencing on the same date as payment of the Basic Retirement Plan pre-retirement survivor annuity or post retirement survivor annuity, as the case may be, and shall terminate on the date of the last payment of the Basic Retirement Plan pre-retirement survivor annuity or post retirement survivor annuity, as the case may be.
- 8.4 With respect to any 401(k)/ESOP Benefit, all amounts credited to the Participant's Deferral Credit Account shall be payable in a single lump sum to the Participant's surviving spouse, if any, as a Supplemental Surviving Spouse Benefit, unless an optional mode has been elected pursuant to Article 7.

- 8.5 Upon the death of a Participant under the circumstances set forth in clauses (i) and (ii) of Section 8.1, if no Basic Retirement Plan Surviving Spouse Benefit, or Basic 401(k)/ESOP Surviving Spouse Benefit, as the case may be, is payable, (a) no further Retirement Income Benefit shall be payable, unless an optional mode has been elected pursuant to Article 7, and (b) all amounts credited to the Participant's Deferral Credit Account shall be payable to the Participant's designated beneficiary in a single lump sum, unless an optional mode has been elected pursuant to Article 7.
- 8.6 The following provisions shall apply with respect to payment of the Supplemental Retirement Benefit after the death of a Participant:
- (a) Except as provided in Section 8.6(b), if a Participant shall die before his or her 62nd birthday, no Supplemental Retirement Benefit shall be payable.
 - (b) If a Participant shall die on or after his or her 60th birthday, after he or she has retired but before payment of any Supplemental Retirement Benefit has commenced, the Participant's surviving spouse, if any, shall be paid as a straight life annuity 50 percent of the Supplemental Retirement Benefit for her life commencing within 30 days following the Participant's death. Such payments shall be made in monthly installments. However, if such Participant is not married at the time of his or her death, the Company shall pay to the Participant's Beneficiary a lump sum benefit equal to 50 percent of the Present Value of the Participant's Supplemental Retirement Benefit.
 - (c) Except as provided in Section 8.6(b), no Supplemental Retirement Benefit shall be payable if the Participant dies before payment of any Supplement Retirement Benefit has begun without having a spouse who survives him or her.
 - (d) If a Participant dies after payment of a Supplemental Retirement Benefit has commenced, the amount, if any, of the Supplemental Retirement Benefit payable to the Participant's surviving spouse or other Beneficiary shall be determined pursuant to the applicable provisions of Section 7.3.

ARTICLE 9

UNFUNDED PLAN

- 9.1 The Plan shall be administered as an unfunded plan and is not intended to meet the qualification requirements of Sections 401(a) and 401(k) of the Code. No Participant or beneficiary shall be entitled to receive any payment or benefits under the Plan from the qualified trust maintained in connection with the Basic Retirement Plan and Basic 401(k)/ESOP.
- 9.2 The Employer shall have the right to establish a reserve, establish a grantor trust or make any investment for the purposes of satisfying its obligation hereunder for payment of benefits, including, but not limited to, investments in one or more registered investment companies under the Investment Company Act of 1940, as amended, to the extent permitted by applicable banking or other law; *provided*, however, that no Participant or beneficiary shall have any interest in such investment, trust, or reserve.

- 9.3 To the extent that any Participant or beneficiary acquires a right to receive benefits under the Plan, such rights shall be no greater than those rights which guarantee to the Participant or beneficiary the strongest claim to such benefits, without resulting in the Participant's or beneficiary's constructive receipt of such benefits.
- 9.4 With respect to any 401(k)/ESOP Benefit, 100% of the Participant's Deferral Credit Account shall be deemed to be invested as provided in Section 5.4 above. A Participant's Deferral Credit Account may not be encumbered or assigned by a Participant or any beneficiary.
- 9.5 A Participant or beneficiary with a Retirement Income Benefit, the 401(k)/ESOP Benefit or both such Benefits under the Plan shall be an unsecured creditor of the Employer as to any benefit payable under the Plan.
- 9.6 Not later than the closing of any transaction that would constitute a Change of Control, the Employer shall transfer to an independent corporate trustee of a grantor trust within the meaning of section 671 of the Code that satisfies the applicable requirements of Revenue Procedure 92-64 or any successor thereto an amount sufficient to cover all potential liabilities under this Plan.

ARTICLE 10

ADMINISTRATION

- 10.1 Except for the functions reserved to the Company or the Board, the administration of the Plan shall be the responsibility of the Committee. The Committee shall consist of three or more persons designated by the Company. Members of the Committee shall serve for such terms as the Company shall determine and until their successors are designated and qualified. Any member of the Committee may resign upon at least 60 days written notice to the Company, or may be removed from office by the Company at any time, with or without notice.
- 10.2 The Committee shall hold meetings upon notice at such times and places as it may determine. Notice shall not be required if waived in writing. Any action of the Committee shall be taken pursuant to a majority vote at a meeting, or pursuant to the written consent of a majority of its members without a meeting, and such action shall constitute the action of the Committee and shall be binding in the same manner as if all members of the Committee had joined therein. A majority of the members of the Committee shall constitute a quorum. No member of the Committee shall vote or be counted for quorum purposes on any matter relating solely to himself or herself or his or her rights under the Plan. The Committee shall record minutes of any actions taken at its meetings or of any other official action of the Committee. Any person dealing with the Committee shall be fully protected in relying upon any written notice, instruction, direction or other communication signed by the Secretary of the Committee or by any of the members of the Committee or by a representative of the Committee authorized by the Committee to sign the same in its behalf.

10.3 The Committee shall have the power and the duty to take all actions and to make all decisions necessary or proper to carry out the Plan. The determination of the Committee as to any question involving the Plan shall be final, conclusive and binding. Any discretionary actions to be taken under the Plan by the Committee shall be uniform in their nature and applicable to all persons similarly situated. Without limiting the generality of the foregoing, the Committee shall have the following powers and duties:

- (a) the duty to furnish to all Participants, upon request, copies of the Plan;
- (b) the power to require any person to furnish such information as it may request for the purpose of the proper administration of the Plan as a condition to receiving any benefits under the Plan;
- (c) the power to make and enforce such rules and regulations and prescribe the use of such forms as it shall deem necessary for the efficient administration of the Plan;
- (d) the power to interpret the Plan, and to resolve ambiguities, inconsistencies and omissions, which findings shall be binding, final and conclusive;
- (e) the power to decide on questions concerning the Plan in accordance with the provisions of the Plan;
- (f) the power to determine the amount of benefits which shall be payable to any person in accordance with the provisions of the Plan and to provide a full and fair review to any Participant whose claim for benefits has been denied in whole or in part;
- (g) the power to designate a person who may or may not be a member of the Committee as Plan "Administrator" for purposes of the Employee Retirement Income Security Act of 1974 (ERISA); if the Committee does not so designate an Administrator, the Committee shall be the Plan Administrator;
- (h) the power to allocate any such powers and duties to or among individual members of the Committee; and
- (i) the power to designate persons other than Committee members to carry out any duty or power which would otherwise be a responsibility of the Committee or Administrator, under the terms of the Plan.

10.4 To the extent permitted by law, the Committee and any person to whom it may delegate any duty or power in connection with administering the Plan, the Company, any Employer, and the officers and directors thereof, shall be entitled to rely conclusively upon, and shall be fully protected in any action taken or suffered by them in good faith in the reliance upon, any actuary, counsel, accountant, other specialist, or other person selected by the Committee, or in reliance upon any tables, valuations, certificates, opinions or reports which shall be furnished by any of them. Further, to the extent permitted by law, no member of the Committee, nor the Company, any Employer, nor the officers or directors thereof, shall be liable for any neglect, omission or wrongdoing of any other members of the Committee, agent, officer or employee of the Company or any Employer. Any person claiming benefits under the Plan shall look solely to the Employer for redress.

- 10.5 All expenses incurred before the termination of the Plan that shall arise in connection with the administration of the Plan (including, but not limited to administrative expenses, proper charges and disbursements, compensation and other expenses and charges of any actuary, counsel, accountant, specialist, or other person who shall be employed by the Committee in connection with the administration of the Plan), shall be paid by the Employer.

ARTICLE 11

AMENDMENT OR TERMINATION

- 11.1 The Board shall have the power to suspend or terminate the Plan in whole or in part at any time, and from time to time to extend, modify, amend or revise the Plan in such respects as the Board, by resolution, may deem advisable; *provided*, however, that no such extension, modification, amendment, revision, or termination shall deprive a Participant or any beneficiary of any benefit accrued under the Plan.
- 11.2 In the event of a termination or partial termination of the Plan, the rights of all affected parties, if any, to benefits accrued to the date of such termination or partial termination, shall become nonforfeitable to the same extent that such rights would be nonforfeitable if such benefits were provided under the Basic Retirement Plan or the Basic 401(k)/ESOP and such plans were terminated on such date.
- 11.3 No amendment of the Plan shall reduce the vested and accrued benefits, if any, of a Participant under this Plan, except to the extent that such a reduction would be permitted if such benefits were provided under the Basic Retirement Plan or the Basic 401(k)/ESOP.
- 11.4 In the event of the termination or partial termination of the Plan: (a) the Company shall pay in one lump sum to affected Participants or their beneficiaries the 401(k)/ESOP Benefit, if any, to which they are entitled, as if such Participants' termination of service had occurred on the date the Plan is terminated, and (b) the Retirement Income Benefit and Supplemental Retirement Benefit, if any, to which they are entitled shall continue to be payable.

ARTICLE 12

GENERAL PROVISIONS

- 12.1 The Plan shall not be deemed to constitute an employment contract between the Employer and any Employee or other person, whether or not in the employ of the Employer, nor shall anything herein contained be deemed to give any Employee or other person, whether or not in the employ of the Employer, any right to be retained in the employ of the Employer, or to interfere with the right of the Employer to discharge any Employee at any time and to treat such Employee without any regard to the effect which such treatment might have upon such Employee as a Participant of the Plan.

- 12.2 Except as provided in Section 12.4, or as may otherwise be required by law, no distribution or payment under the Plan to any Participant or beneficiary shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, whether voluntary or involuntary, and any attempt to so anticipate, alienate, sell, transfer, assign, pledge, encumber or charge the same shall be void; nor shall any such distribution or payment be in any way liable for or subject to the debts, contracts, liabilities, engagements or torts of any person entitled to such distribution or payment. If any Participant or beneficiary is adjudicated bankrupt or purports to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any such distribution or payment, voluntarily or involuntarily, the Committee, in its sole discretion, may cancel such distribution or payment or may hold or cause to be held or applied such distribution or payment, or any part thereof, to or for the benefit of such Participant or beneficiary, in such manner as the Committee shall direct.
- 12.3 If the Employer determines that any person entitled to payments under the Plan is incompetent by reason of physical or mental disability, it may cause all payments thereafter becoming due to such person to be made to any other person for his or her benefit, without responsibility to follow application of amounts so paid. Payments made pursuant to this provision shall completely discharge the Plan, the Employer and the Committee.
- 12.4 Notwithstanding any other provision of this Plan:
- (a) if the Employer determines that Cause exists for the termination of the Participant's employment, the Participant and his or her spouse and beneficiaries shall forfeit all rights to any payments under this Plan;
 - (b) if a Participant incurs a Separation from Service before having completed five Years of Service with any Employer, no Supplemental Retirement Benefit shall be payable hereunder;
 - (c) no amounts shall be payable hereunder to the Participant and his or her spouse and beneficiaries:
 - (i) following any breach by the Participant of any provision of any employment or other written agreement with the Company, the Bank or any other Employer with respect to confidentiality, non-competition, non-interference with, or non-solicitation of, employees, customers, suppliers or agents or similar matters, *provided* that no Change in Control shall have occurred before such breach;

(ii) if, without the prior written consent of the Company, the Participant discloses or divulges to any third party, except as may be required by his or her duties, by law, regulation, or order of a court or government authority, or as directed by the Company, or uses to the detriment of the Company or its affiliates or in any business or on behalf of any business competitive with or substantially similar to any business of the Company or the Bank or their affiliates, any Confidential Information obtained during the course of his or her employment by the Company, the Bank or any affiliate of any of either of them, *provided* that this Section 12.4(c)(ii) shall not be construed as restricting the Participant from disclosing such information to the employees of the Company or the Bank or their affiliates;

(iii) if while the Participant is employed by the Company, the Bank, any Employer or any affiliate of any of them or within two years after any termination of such employment other than in anticipation of or following a Change in Control, the Participant (A) interferes with the relationship of the Company, the 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 the Company, the Bank or their affiliates), or (B) directly or indirectly diverts or attempts to divert from the Company, the Bank or their affiliates any business in which any of them has been actively engaged during the period of such employment, or interferes with the relationship of the Company, the Bank or their affiliates with any of their customers or prospective customers, *provided*, that this Section 12.4(c)(iii) shall not, in and of itself, prohibit the Participant from engaging in the banking, trust, or financial services business in any capacity, including that of an owner or employee; and

(d) if any particular provision of this section 12.4 shall be adjudicated to be invalid or unenforceable, such provision shall be deemed amended to delete from 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 12.4 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 the Company, the Bank and their affiliates, to the fullest extent permitted by applicable law, the benefits intended by this section 12.4.

12.5 The Employer shall be the sole source of benefits under the Plan, and each Employee, Participant, beneficiary, or any other person who shall claim the right to any payment or benefit under the Plan shall be entitled to look solely to the Employer for payment of benefits.

- 12.6 If the Employer is unable to make payment to any Participant, beneficiary, or any other person to whom a payment is due under the Plan, because it cannot ascertain the identity or whereabouts of such Participant, beneficiary, or other person after reasonable efforts have been made to identify or locate such person (including a notice of the payment so due mailed to the last known address of such Participant, beneficiary, or other person shown on the records of the Employer), such payment and all subsequent payments otherwise due to such Participant, beneficiary or other person shall be forfeited 24 months after the date such payment first became due; *provided*, however, that such payment and any subsequent payments shall be reinstated, retroactively, no later than 60 days after the date on which the Participant, beneficiary, or other person shall make application therefor. Neither the Company, the Committee nor any other person shall have any duty or obligation under the Plan to make any effort to locate or identify any person entitled to benefits under the Plan, other than to mail a notice to such person's last known mailing address.
- 12.7 If upon the payment of any benefits under the Plan, the Employer shall be required to withhold any amounts with respect to such payment by reason of any federal, state or local tax laws, rules or regulations, then the Employer shall be entitled to deduct and withhold such amounts from any such payments. In any event, such person shall make available to the Employer, promptly when requested by the Employer, sufficient funds or other property to meet the requirements of such withholding. Furthermore, at any time the Employer shall be obligated to withhold taxes, the Employer shall be entitled to take and authorize such steps as it may deem advisable in order to have the amounts required to be withheld made available to the Employer out of any funds or property due to become due to such person, whether under the Plan or otherwise.
- 12.8 The Committee, in its discretion, may increase or decrease the amount of any benefit payable hereunder if and to the extent that it determines, in good faith, that an increase is necessary in order to avoid the omission of a benefit intended to be payable under this Plan or that a decrease is necessary in order to avoid a duplication of the benefits intended to be payable under this Plan.
- 12.9 The provisions of the Plan shall be construed, administered and governed under applicable federal laws and the laws of the State of New York. In applying the laws of the State of New York, no effect shall be given to conflict of laws principles that would cause the laws of another jurisdiction to apply.

AMENDED AND RESTATED

NBT BANCORP INC.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

(Effective as of DATE)

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CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Martin A. Dietrich, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NBT Bancorp Inc.
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer(s) 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 have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and 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 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 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 fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) 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 the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2009

By: /S/ Martin A. Dietrich
Chief Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael J. Chewens, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NBT Bancorp Inc.
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer(s) 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 have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and 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 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 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 fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) 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 the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2009

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

Written Statement of the Chief Executive Officer 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-Q of the Company for the Quarterly Period Ended September 30, 2009, 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) the 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
November 9, 2009

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to NBT Bancorp Inc. and will be retained by NBT Bancorp Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Written Statement of the Chief Financial Officer 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-Q of the Company for the Quarterly Period Ended September 30, 2009, 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) the 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
November 9, 2009

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to NBT Bancorp Inc. and will be retained by NBT Bancorp Inc. and furnished to the Securities and Exchange Commission or its staff upon request.
