

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-K

THE ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008
OR
THE TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____
COMMISSION FILE NUMBER: 0-14703

NBT BANCORP INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

16-1268674

(IRS Employer Identification No.)

52 SOUTH BROAD STREET
NORWICH, NEW YORK 13815

(Address of principal executive office) (Zip Code)
(607) 337-2265 (Registrant's telephone number, including area code)

Securities registered pursuant to section 12(b) of the Act: None

Securities registered pursuant to section 12(g) of the Act: Common Stock (\$0.01 par value per share)

Stock Purchase Rights Pursuant to Stockholders Rights Plan

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

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

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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.

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 Act). ☒ Yes ☐ No

Based on the closing price of the registrant's common stock as of June 30, 2008, the aggregate market value of the voting stock, common stock, par value, \$0.01 per share, held by non-affiliates of the registrant is \$655,866,020.

The number of shares of Common Stock outstanding as of February 15, 2009, was 32,648,164.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for its Annual Meeting of Stockholders to be held on May 5, 2009 are incorporated by reference into Part III, Items 10, 11, 12, 13 and 14 of this Form 10-K.

NBT BANCORP INC.
FORM 10-K – Year Ended December 31, 2008

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

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* Information called for by Part III (Items 10 through 14) is incorporated by reference to the Registrant's Proxy Statement for the 2009 Annual Meeting of Stockholders.

PART I

ITEM 1. BUSINESS

NBT Bancorp Inc. (the “Registrant” or the “Company”) is a registered financial holding company incorporated in the state of Delaware in 1986, with its principal headquarters located in Norwich, New York. The Company, on a consolidated basis, at December 31, 2008 had assets of \$5.3 billion and stockholders’ equity of \$431.8 million. 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”), Hathaway Agency, Inc., 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. Through NBT Holdings, the Company operates Mang Insurance Agency, LLC, 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 its customers in its market area. The principal assets of the Registrant are all of the outstanding shares of common stock of its direct subsidiaries, and its principal sources of revenue are the management fees and dividends it receives from the Bank, 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 the central and upstate New York and northeastern Pennsylvania market areas. The Bank conducts business through two geographic operating divisions, NBT Bank and Pennstar Bank.

At year end 2008, the NBT Bank division had 84 divisional offices and 114 automated teller machines (ATMs), located primarily in central and upstate New York. At December 31, 2008, the NBT Bank division had total loans and leases of \$2.9 billion and total deposits of \$3.1 billion.

At year end 2008, the Pennstar Bank division had 38 divisional offices and 57 ATMs, located primarily in northeastern Pennsylvania. At December 31, 2008, the Pennstar Bank division had total loans and leases of \$761.0 million and total deposits of \$827.2 million.

The Bank has six operating subsidiaries, NBT Capital Corp., Pennstar Bank Services Company, Broad Street Property Associates, Inc., NBT Services, Inc., Pennstar Realty Trust, and CNB Realty Trust. NBT Capital Corp., formed in 1998, is a venture capital corporation formed to assist young businesses to develop and grow primarily in the markets they serve. Broad Street Property Associates, Inc., formed in 2004, is a property management company. NBT Services, Inc., formed in 2004, has a 44% ownership interest in Land Record Services, LLC. Land Record Services, LLC, a title insurance agency, offers mortgagee and owner’s title insurance coverage to both retail and commercial customers. Pennstar Realty Trust, formed in 2000, and CNB Realty Trust, formed in 1998, are real estate investment trusts. Pennstar Bank Services Company, formed in 2002, provides administrative and support services to the Pennstar Bank division of the Bank.

CNBF Capital Trust I (Trust I) and NBT Statutory Trust I are Delaware statutory business trusts formed in 1999 and 2005, respectively, for the purpose of issuing trust preferred securities and lending the proceeds to the Company. In connection with the acquisition of CNB Bancorp, Inc. mentioned below, the Company formed NBT Statutory Trust II (Trust II) in February 2006 to fund the cash portion of the acquisition as well as to provide regulatory capital. The Company raised \$51.5 million through Trust II in February 2006. The Company guarantees, on a limited basis, payments of distributions on the trust preferred securities and payments on redemption of the trust preferred securities. The Trusts are variable interest entities (VIEs) for which the Company is not the primary beneficiary, as defined in Financial Accounting Standards Board Interpretation (“FIN”) No. 46 “Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51 (Revised December 2003) (FIN 46R).” In accordance with FIN 46R, the accounts of the Trusts are not included in the Company’s consolidated financial statements. See the Company’s accounting policy related to consolidation in Note 1 — Summary of Significant Accounting Policies in the notes to consolidated financial statements included in Item 8 Financial Statements and Supplementary Data of this report. For more information relating to the Trusts, see Note 13 to the consolidated financial statements.

On September 1, 2008, the Company completed the acquisition of Mang Insurance Agency, LLC (“Mang”), headquartered in Binghamton, New York. As part of the acquisition, the Company acquired approximately \$15.3 million of intangible assets and \$11.8 million of goodwill, which has been allocated to NBT Holdings for reporting purposes. The results of operations are included in the consolidated financial statements from the date of acquisition, September 1, 2008.

On February 10, 2006, the Company acquired CNB Bancorp, Inc. (“CNB”), a bank holding company headquartered in Gloversville, New York. The acquisition was accomplished by merging CNB with and into the Company. By virtue of this acquisition, CNB’s banking subsidiary, City National Bank and Trust Company, was merged with and into NBT Bank. City National Bank and Trust Company operated 9 full-service community banking offices – located in Fulton, Hamilton, Montgomery and Saratoga counties, with approximately \$400 million in assets. In connection with the merger with CNB, the Company issued an aggregate of 2.1 million shares of Company common stock and \$39 million in cash to the former holders of CNB common stock. Based on the \$22.42 per share closing price of the Company’s common stock on February 10, 2006, the transaction was valued at approximately \$88 million.

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

COMPETITION

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

SUPERVISION AND REGULATION

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

The Company is subject to capital adequacy guidelines of the FRS. The guidelines apply on a consolidated basis and require bank holding companies to maintain a minimum ratio of Tier 1 capital to total average assets (or “leverage ratio”) of 4%. For the most highly rated bank holding companies, the minimum ratio is 3%. The FRS capital adequacy guidelines also require bank holding companies to maintain a minimum ratio of Tier 1 capital to risk-weighted assets of 4% and a minimum ratio of qualifying total capital to risk-weighted assets of 8%. As of December 31, 2008, the Company’s leverage ratio was 7.17%, its ratio of Tier 1 capital to risk-weighted assets was 9.75%, and its ratio of qualifying total capital to risk-weighted assets was 11.00%. The FRS may set higher minimum capital requirements for bank holding companies whose circumstances warrant it, such as companies anticipating significant growth or facing unusual risks. The FRS has not advised the Company of any special capital requirement applicable to it.

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

The Bank is subject to leverage and risk-based capital requirements and minimum capital guidelines of the OCC that are similar to those applicable to the Company. As of December 31, 2008, the Bank was in compliance with all minimum capital requirements. The Bank's leverage ratio was 6.93%, its ratio of Tier 1 capital to risk-weighted assets was 9.38%, and its ratio of qualifying total capital to risk-weighted assets was 10.64%.

Under FDIC regulations, no FDIC-insured bank can accept brokered deposits unless it is well capitalized, or is adequately capitalized and receives a waiver from the FDIC. In addition, these regulations prohibit any bank that is not well capitalized from paying an interest rate on brokered deposits in excess of three-quarters of one percentage point over certain prevailing market rates. As of December 31, 2008, the Bank's total brokered deposits were \$269.8 million.

The Bank also is subject to substantial regulatory restrictions on its ability to pay dividends to the Company. Under OCC regulations, the Bank may not pay a dividend, without prior OCC approval, if the total amount of all dividends declared during the calendar year, including the proposed dividend, exceed the sum of its retained net income to date during the calendar year and its retained net income over the preceding two years. As of December 31, 2008, approximately \$46.6 million was available for the payment of dividends without prior OCC approval. The Bank's ability to pay dividends is also subject to the Bank being in compliance with regulatory capital requirements. As indicated above, the Bank is currently in compliance with these requirements.

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

The deposits of the Bank are insured up to regulatory limits by the FDIC. The Federal Deposit Insurance Reform Act of 2005 gave the FDIC increased flexibility in assessing premiums on banks and savings associations, including the Bank, to pay for deposit insurance and in managing its deposit insurance reserves. The FDIC has adopted regulations to implement its new authority. Under these regulations, all insured depository institutions are placed into one of four risk categories. The Bank is in Risk Category I, the most favorable category. As of January 1, 2009, all insured institutions within this category will pay a base rate assessment of \$0.12 to \$0.50 per \$100 of deposits for the first quarter of 2009 of assessable deposits based on the risk of loss to the Depository Insurance Fund ("DIF") posed by the particular institution. Institutions, such as the Bank, in risk Category I will be assessed within a range of \$0.12 to \$0.14 per \$100 of deposits for the first quarter of 2009. This is a substantial increase from the base rate assessment of \$0.02 to \$0.04 per \$100 of assessable deposits that was in effect during 2008. The increase in the base rate assessment from 2008 to 2009 is due to the financial crises affecting the banking system and financial markets. For institutions such as the Bank, which do not have a long-term public debt rating, the individual risk assessment is based on its supervisory ratings and certain financial ratios and other measurements of its financial condition. For institutions that have a long-term public debt rating, the individual risk assessment is based on its supervisory ratings and its debt rating. On February 27, 2009, the FDIC issued new rules to take effect April 1, 2009 to change the way the FDIC differentiates risk and appropriate assessment rates. Base assessment rates set to take effect on April 1, 2009 will range from 12 to 45 basis points, but giving effect to certain risk adjustments in the rule issued by the FDIC on February 27, 2009, assessments may range from 7 to 77.5 basis points. For institutions such as the Bank, in Risk Category I, risk-adjusted assessments will range from 7 to 24 basis points. In addition, the FDIC also issued an interim rule on February 27, 2009 that will impose an emergency special assessment of 20 basis points in addition to its risk-based assessment. This assessment will be imposed on June 30, 2009 and collected on September 30, 2009. The reform legislation also provided a credit to all insured depository institutions, based on the amount of their insured deposits at year-end 1996, that may be used as an offset to the premiums that are assessed. The Bank's credit was fully utilized in 2008 to offset its 2008 deposit insurance assessment. Due to the full utilization of the Bank's credit, the systemic increase in deposit insurance assessments and the emergency special assessment, the Bank will be subject to increased deposit premium expenses in future periods.

On October 14, 2008, the FDIC announced a new program, the Temporary Liquidity Guarantee Program (“TLGP”), that provides unlimited deposit insurance on funds invested in noninterest-bearing transaction deposit accounts in excess of the existing deposit insurance limit of \$250,000. Participating institutions will be assessed a \$0.10 surcharge per \$100 of deposits above the existing deposit insurance limit. The TLGP also provides that the FDIC, for an additional fee, will guarantee qualifying senior unsecured debt issued prior to October 2009 by participating banks and certain qualifying holding companies. The Bank and the Company have elected to opt in to both portions of the TLGP.

The Federal Deposit Insurance Act provides for additional assessments to be imposed on insured depository institutions to pay for the cost of Financing Corporation (“FICO”) funding. The FICO assessments are adjusted quarterly to reflect changes in the assessment base of the DIF and do not vary depending upon a depository institution’s capitalization or supervisory evaluation. During 2008, FDIC assessments for purposes of funding FICO bond obligations ranged from an annualized \$0.0114 per \$100 of deposits for the first quarter of 2008 to \$0.0110 per \$100 of deposits for the fourth quarter of 2008. The Bank paid \$1.8 million of FICO assessments in 2008. For the first quarter of 2009, the FICO assessment rate is \$0.0114 per \$100 of deposits.

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

In 2007, the Federal Reserve and Securities and Exchange Commission (“SEC”) issued a final joint rulemaking (Regulation R) to clarify that traditional banking activities involving some elements of securities brokerage activities, such as most trust and fiduciary activities, may continue to be performed by banks rather than being “pushed-out” to affiliates supervised by the SEC. These rules take effect for the Bank beginning January 1, 2009.

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

The GLB Act requires all financial institutions, including the Company and the Bank, to adopt privacy policies, restrict the sharing of nonpublic customer data with nonaffiliated parties at the customer’s request, and establish procedures and practices to protect customer data from unauthorized access. In addition, the Fair and Accurate Credit Transactions Act of 2003 (“FACT Act”) includes many provisions concerning national credit reporting standards, and permits consumers, including customers of the Company, to opt out of information sharing among affiliated companies for marketing purposes. The FACT Act also requires banks and other financial institutions to notify their customers if they report negative information about them to a credit bureau or if they are granted credit on terms less favorable than those generally available. The FRS and the Federal Trade Commission (“FTC”) have extensive rulemaking authority under the FACT Act, and the Company and the Bank are subject to the rules that have been promulgated by the FRS and FTC, including recent rules regarding limitations of affiliate marketing and implementation of programs to identify, detect and mitigate certain identity theft red flags. The Company has developed policies and procedures for itself and its subsidiaries, including the Bank, and believes it is in compliance with all privacy, information sharing, and notification provisions of the GLB Act and the FACT Act.

Periodic disclosures by companies in various industries of the loss or theft of computer-based nonpublic customer information have led several members of Congress to call for the adoption of national standards for the safeguarding of such information and the disclosure of security breaches. Several committees of both houses of Congress have conducted and have proposed legislation regarding these issues.

Under Title III of the USA PATRIOT Act, also known as the International Money Laundering Abatement and Anti-Terrorism Financing Act of 2001, all financial institutions, including the Company and the Bank, are required in general to identify their customers, adopt formal and comprehensive anti-money laundering programs, scrutinize or prohibit altogether certain transactions of special concern, and be prepared to respond to inquiries from U.S. law enforcement agencies concerning their customers and their transactions. The USA PATRIOT Act also encourages information-sharing among financial institutions, regulators, and law enforcement authorities by providing an exemption from the privacy provisions of the GLB Act for financial institutions that comply with this provision. The effectiveness of a financial institution in combating money laundering activities is a factor to be considered in any application submitted by the financial institution under the Bank Merger Act, which applies to the Bank, or the BHC Act, which applies to the Company. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing, or to comply with all of the relevant laws or regulations, could have serious legal, financial and reputational consequences for the institution. As of December 31, 2008, the Company and the Bank believe they are in compliance with the USA PATRIOT Act and regulations thereunder.

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

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

In the past two years, declining housing values have resulted in deteriorating economic conditions across the U.S., resulting in significant writedowns in the values of mortgage-backed securities and derivative securities by financial institutions, government sponsored entities, and major commercial and investment banks. This has led to decreased confidence in financial markets among borrowers, lenders, and depositors as well as extreme volatility in the capital and credit markets and the failure of some entities in the financial sector. The Company is fortunate that the markets it serves have been impacted to a lesser extent than many areas around the country.

In response to the financial crises affecting the banking system and financial markets, there have been several recent announcements of Federal programs designed to purchase assets from, provide equity capital to, and guarantee the liquidity of, the industry.

On October 3, 2008, the Emergency Economic Stabilization Act of 2008 (the “EESA”) was signed into law. The EESA authorizes the U.S. Treasury to, among other things, purchase up to \$700 billion of mortgages, mortgage-backed securities, and certain other financial instruments from financial institutions for the purpose of stabilizing and providing liquidity to the U.S. financial markets. The Company did not originate or invest in sub-prime assets and, therefore, does not expect to participate in the sale of any of our assets into these programs. EESA also increased the FDIC deposit insurance limit for most accounts from \$100,000 to \$250,000 through December 31, 2009.

On October 14, 2008, the U.S. Treasury announced that it will purchase equity stakes in a wide variety of banks and thrifts. Under this program, known as the Troubled Asset Relief Program Capital Purchase Program (the “TARP Capital Purchase Program”), the U.S. Treasury will make \$250 billion of capital available (from the \$700 billion authorized by the EESA) to U.S. financial institutions in the form of preferred stock. In conjunction with the purchase of preferred stock, the U.S. Treasury will receive warrants to purchase common stock with an aggregate market price equal to 15% of the preferred investment. Participating financial institutions will be required to adopt the U.S. Treasury’s standards for executive compensation and corporate governance for the period during which the Treasury holds equity issued under the TARP Capital Purchase Program, as well as the more stringent executive compensation limits enacted as part of the American Recovery and Reinvestment Act of 2009 (the “ARRA” or “Stimulus Bill”), which was signed into law on February 17, 2009. The Company was approved but chose not to participate in the TARP Capital Purchase Program.

EMPLOYEES

At December 31, 2008, the Company had 1,411 full-time equivalent employees. The Company’s employees are not presently represented by any collective bargaining group. The Company considers its employee relations to be good.

AVAILABLE INFORMATION

The Company’s website is <http://www.nbtbancorp.com>. The Company makes available free of charge through its website, its annual reports on Form 10-K; quarterly reports on Form 10-Q; current reports on Form 8-K; and any amendments to those reports as soon as reasonably practicable after such material is electronically filed or furnished with the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act. We also make available through our website other reports filed with or furnished to the SEC under the Exchange Act, including our proxy statements and reports filed by officers and directors under Section 16(a) of that Act, as well as our Code of Business Ethics and other codes/committee charters. The references to our website do not constitute incorporation by reference of the information contained in the website and such information should not be considered part of this document.

Any materials we file with the SEC may be read and copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, DC, 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site (<http://www.sec.gov>) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

ITEM 1A. RISK FACTORS

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

The Company's Profitability Depends Significantly on Local and National Economic Conditions

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

2008 was highlighted by significant disruption and volatility in the financial and capital marketplaces. This turbulence has been attributable to a variety of factors, including the fallout associated with the subprime mortgage market. One aspect of this fallout has been significant deterioration in the activity of the secondary market. The disruptions have been exacerbated by the continued decline of the real estate and housing market along with significant mortgage loan related losses incurred by many lending institutions. The turmoil in the mortgage market has impacted the global markets as well as the domestic markets and led to a significant credit and liquidity crisis in many domestic markets during 2008. As a lender, we may be adversely affected by general economic weaknesses, and, in particular, a sharp downturn in the housing industry in the states of New York and Pennsylvania. No assurance can be given that these conditions will improve or will not worsen or that such conditions will not result in an increase in delinquencies, causing a decrease in our interest income, or continue to have an adverse impact on our loan loss experience, causing an increase in our allowance for loan losses.

The Company is Subject to Interest Rate Risk

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

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

The Company is Subject to Lending Risk

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

As of December 31, 2008, approximately 39% of the Company's loan and lease portfolio consisted of commercial, agricultural, construction and commercial real estate loans. These types of loans are generally viewed as having more risk of default than residential real estate loans or consumer loans. These types of loans are also typically larger than residential real estate loans and consumer loans. Because the Company's loan portfolio contains a significant number of commercial and industrial, construction and commercial real estate loans with relatively large balances, the deterioration of one or a few of these loans could cause a significant increase in nonperforming loans. An increase in nonperforming loans could result in a net loss of earnings from these loans, an increase in the provision for loan losses and/or an increase in loan charge-offs, all of which could have a material adverse effect on the Company's financial condition and results of operations. See the section captioned "Loans and Leases and Corresponding Interest and Fees on Loans" in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations located elsewhere in this report for further discussion related to commercial and industrial, construction and commercial real estate loans.

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

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

The Company Operates In a Highly Competitive Industry and Market Area

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

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

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

There Can Be No Assurance That Recent Government Action Will Help Stabilize the U.S. Financial System and Will Not Have Unintended Adverse Consequences.

In recent periods, the U.S. government and various federal agencies and bank regulators have taken steps to stabilize and stimulate the financial services industry. Changes also have been made in tax policy for financial institutions. The Emergency Economic Stabilization Act of 2008 (the "EESA") was an initial legislative response to the financial crises affecting the banking system and financial markets and going concern threats to financial institutions. Pursuant to the EESA, the U.S. Treasury will have the authority to, among other things, purchase up to \$700 billion of mortgages, mortgage-backed securities and certain other financial instruments from financial institutions for the purpose of stabilizing and providing liquidity to the U.S. financial markets. As an initial program, the U.S. Treasury is exercising its authority to purchase an aggregate of \$250 billion of capital instruments from financial entities throughout the United States. Other government action, such as the recently announced Homeowner Affordability and Stability Plan are intended to prevent mortgage defaults and foreclosures, which may provide benefits to the economy as a whole, but may reduce the value of certain mortgage loans or related mortgage-related securities investors such as the Company may hold. There can be no assurance as to the actual impact that these or other government actions will have on the financial markets, including the extreme levels of volatility and limited credit availability currently being experienced. The failure of the EESA and other measures to help stabilize the financial markets and a continuation or worsening of current financial market conditions could materially and adversely affect the Company's business, financial condition, results of operations, access to credit or the trading price of its common stock.

The Company Is Subject To Extensive Government Regulation and Supervision

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

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

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

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

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

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

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

The inability to receive dividends from the Bank could have a material adverse effect on the Company's business, financial condition and results of operations. See the section captioned "Supervision and Regulation" in Item 1. Business and Note 16 — Stockholders' Equity in the notes to consolidated financial statements included in Item 8. Financial Statements and Supplementary Data, which are located elsewhere in this report.

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

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

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

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

The Company Continually Encounters Technological Change

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

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

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

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

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

Difficult Market Conditions Have Adversely Affected Our Industry.

Dramatic declines in the housing market over the past year, with falling home prices and increasing foreclosures, unemployment and under-employment, have negatively impacted the credit performance of mortgage loans and resulted in significant write-downs of asset values by financial institutions, including government-sponsored entities as well as major commercial and investment banks. These write-downs, initially of mortgage-backed securities but spreading to credit default swaps and other derivative and cash securities, in turn, have caused many financial institutions to seek additional capital, to merge with larger and stronger institutions and, in some cases, to fail. Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors have reduced or ceased providing funding to borrowers, including to other financial institutions. This market turmoil and tightening of credit have led to an increased level of commercial and consumer delinquencies, lack of consumer confidence, increased market volatility and widespread reduction of business activity generally. The resulting economic pressure on consumers and lack of confidence in the financial markets has adversely affected our business, financial condition and results of operations. We do not expect that the difficult conditions in the financial markets are likely to improve in the near future. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on us and others in the financial institution industry. In particular, we may face the following risks in connection with these events:

- We expect to face increased regulation of our industry. Compliance with such regulation may increase our costs and limit our ability to pursue business opportunities.
- Market developments may affect customer confidence levels and may cause increases in delinquencies and default rates, which we expect could impact our charge-offs and provision for loan losses.

- Our ability to borrow from other financial institutions or to access the debt or equity capital markets on favorable terms or at all could be adversely affected by further disruptions in the capital markets or other events, including actions by rating agencies and deteriorating investor expectations.
- Competition in our industry could intensify as a result of the increasing consolidation of financial services companies in connection with current market conditions.
- We will be required to pay significantly higher FDIC premiums because market developments have significantly depleted the insurance fund of the FDIC and reduced the ratio of reserves to insured deposits.

Current Levels Of Market Volatility Are Unprecedented.

The capital and credit markets have been experiencing volatility and disruption for more than 12 months. Recently, the volatility and disruption has reached unprecedented levels. In most cases, the markets have produced downward pressure on stock prices and credit availability for certain issuers without regard to those issuers' underlying financial strength. If current levels of market disruption and volatility continue or worsen, there can be no assurance that we will not experience an adverse effect, which may be material, on our ability to access capital and on our business, financial condition and results of operations.

The Company is Subject to Other-than-temporary Impairment Risk

The Company recognizes an impairment charge when the decline in the fair value of equity, debt securities and cost-method investments below their cost basis are judged to be other-than-temporary. Significant judgment is used to identify events or circumstances that would likely have a significant adverse effect on the future use of the investment. The Company considers various factors in determining whether an impairment is other-than-temporary, including the severity and duration of the impairment, forecasted recovery, the financial condition and near-term prospects of the investee, and our ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery in market value. Information about unrealized gains and losses is subject to changing conditions. The values of securities with unrealized gains and losses will fluctuate, as will the values of securities that we identify as potentially distressed. Our current evaluation of other-than-temporary impairments reflects our intent to hold securities for a reasonable period of time sufficient for a forecasted recovery of fair value. However, our intent to hold certain of these securities may change in future periods as a result of facts and circumstances impacting a specific security. If our intent to hold a security with an unrealized loss changes, and we do not expect the security to fully recover prior to the expected time of disposition, we will write down the security to its fair value in the period that our intent to hold the security changes.

The process of evaluating the potential impairment of goodwill and other intangibles is highly subjective and requires significant judgment. The Company estimates expected future cash flows of its various businesses and determines the carrying value of these businesses. The Company exercises judgment in assigning and allocating certain assets and liabilities to these businesses. The Company then compares the carrying value, including goodwill and other intangibles, to the discounted future cash flows. If the total of future cash flows is less than the carrying amount of the assets, an impairment loss is recognized based on the excess of the carrying amount over the fair value of the assets. Estimates of the future cash flows associated with the assets are critical to these assessments. Changes in these estimates based on changed economic conditions or business strategies could result in material impairment charges in future periods.

The Company May Be Adversely Affected by the Soundness of Other Financial Institutions

The Company owns common stock of Federal Home Loan Bank of New York ("FHLBNY") in order to qualify for membership in the FHLB system, which enables it to borrow funds under the FHLBNY advance program. The carrying value of our FHLBNY common stock was \$39.0 million as of December 31, 2008.

There are 12 branches of the FHLB, including New York. Several members have warned that they have either breached risk-based capital requirements or that they are close to breaching those requirements. To conserve capital, some FHLB branches are suspending dividends, cutting dividend payments, and not buying back excess FHLB stock that members hold. FHLBNY has stated that they expect to be able to continue to pay dividends, redeem excess capital stock, and provide competitively priced advances in the future. The most severe problems in FHLB have been at some of the other FHLB branches. Nonetheless, the 12 FHLB branches are jointly liable for the consolidated obligations of the FHLB system. To the extent that one FHLB branch cannot meet its obligations to pay its share of the system's debt, other FHLB branches can be called upon to make the payment.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company's headquarters are located at 52 South Broad Street, Norwich, New York 13815. The Company operated the following number of community banking branches and ATMs as of December 31, 2008:

| County | Branches | ATMs | County | Branches | ATMs |
|--------------------------|----------|------|-------------------------------|----------|------|
| NBT Bank Division | | | Pennstar Bank Division | | |
| <i>New York</i> | | | <i>Pennsylvania</i> | | |
| Albany County | 4 | 6 | Lackawanna County | 16 | 24 |
| Broome County | 8 | 13 | Luzerne County | 4 | 8 |
| Chenango County | 11 | 13 | Monroe County | 6 | 8 |
| Clinton County | 3 | 2 | Pike County | 3 | 4 |
| Delaware County | 5 | 5 | Susquehanna County | 6 | 8 |
| Essex County | 3 | 6 | Wayne County | 3 | 5 |
| Franklin County | 1 | 1 | | | |
| Fulton County | 7 | 12 | | | |
| Hamilton County | 1 | 1 | | | |
| Herkimer County | 2 | 1 | | | |
| Montgomery County | 6 | 5 | | | |
| Oneida County | 6 | 13 | | | |
| Otsego County | 9 | 16 | | | |
| Rensselaer | 1 | 1 | | | |
| Saratoga County | 5 | 7 | | | |
| Schenectady County | 1 | 1 | | | |
| Schoharie County | 4 | 3 | | | |
| St. Lawrence County | 5 | 6 | | | |
| Tioga County | 1 | 1 | | | |
| Ulster County | - | 1 | | | |
| Warren County | 1 | - | | | |

The Company leases 45 of the above listed branches from third parties. The Company owns all other banking premises. The Company believes that its offices are sufficient for its present operations. All of the above ATMs are owned by the Company.

ITEM 3. LEGAL PROCEEDINGS

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

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

None.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

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

| | | High | | Low | Dividend |
|-------------|----|-------|----|-------|----------|
| 2007 | | | | | |
| 1st quarter | \$ | 25.81 | \$ | 21.73 | \$ 0.20 |
| 2nd quarter | | 23.45 | | 21.80 | 0.20 |
| 3rd quarter | | 23.80 | | 17.10 | 0.20 |
| 4th quarter | | 25.00 | | 20.58 | 0.20 |
| 2008 | | | | | |
| 1st quarter | \$ | 23.65 | \$ | 17.95 | \$ 0.20 |
| 2nd quarter | | 25.00 | | 20.33 | 0.20 |
| 3rd quarter | | 36.47 | | 19.05 | 0.20 |
| 4th quarter | | 30.83 | | 21.71 | 0.20 |

The closing price of the Common Stock on February 15, 2009 was \$21.70.

As of February 15, 2009, there were 6,887 shareholders of record of Company common stock.

Equity Compensation Plan Information

As of December 31, 2008, the following table summarizes the Company’s equity compensation plans:

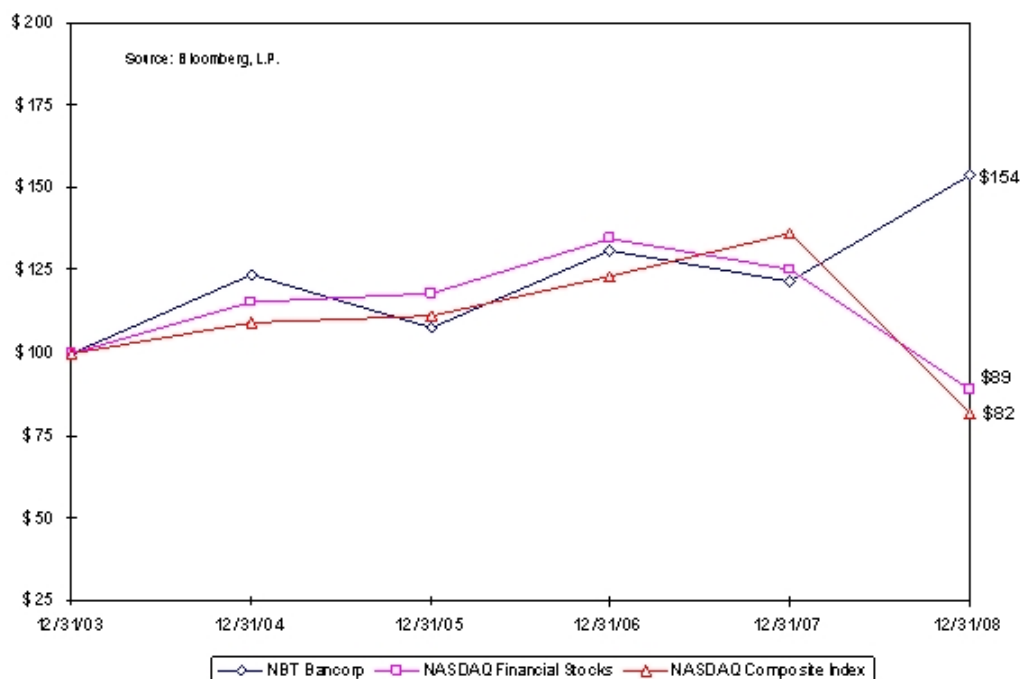
| Plan Category | A. Number of securities to be issued upon exercise of outstanding options | B. Weighted-average exercise price of outstanding options | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column A.) |
|--|---|---|--|
| Equity compensation plans approved by stockholders | 1,640,237(1) | \$ 21.26 | 4,255,768 |
| Equity compensation plans not approved by stockholders | None | None | None |

(1) Includes 30,700 shares issuable pursuant to restricted stock units granted pursuant to the Company’s equity compensation plan. These awards are for the distribution of shares to the grant recipient upon the completion of time-based holding periods and do not have an associated exercise price. Accordingly, these awards are not reflected in the weighted-average exercise price disclosed in Column B.

Performance Graph

The following graph compares the cumulative total stockholder return (i.e., price change, reinvestment of cash dividends and stock dividends received) on our common stock against the cumulative total return of the NASDAQ Stock Market (U.S. Companies) Index and the Index for NASDAQ Financial Stocks. The stock performance graph assumes that \$100 was invested on December 31, 2003. The graph further assumes the reinvestment of dividends into additional shares of the same class of equity securities at the frequency with which dividends are paid on such securities during the relevant fiscal year. The yearly points marked on the horizontal axis correspond to December 31 of that year. We calculate each of the referenced indices in the same manner. All are market-capitalization-weighted indices, so companies judged by the market to be more important (i.e., more valuable) count for more in all indices.

Five Year Cumulative Total Return



| Index | Period Ending | | | | | |
|-------------------------|---------------|-----------|-----------|-----------|-----------|-----------|
| | 12/31/03 | 12/31/04 | 12/31/05 | 12/31/06 | 12/31/07 | 12/31/08 |
| NBT Bancorp | \$ 100.00 | \$ 123.79 | \$ 107.43 | \$ 131.04 | \$ 121.37 | \$ 153.61 |
| NASDAQ Financial Stocks | \$ 100.00 | \$ 115.23 | \$ 117.94 | \$ 134.76 | \$ 125.03 | \$ 88.63 |
| NASDAQ Composite Index | \$ 100.00 | \$ 109.14 | \$ 111.46 | \$ 123.02 | \$ 136.12 | \$ 81.73 |

Source: Bloomberg, L.P.

Dividends

We depend primarily upon dividends from our subsidiaries for a substantial part of our revenue. Accordingly, our ability to pay dividends depends primarily upon the receipt of dividends or other capital distributions from our subsidiaries. Payment of dividends to the Company from the Bank is subject to certain regulatory and other restrictions. Under OCC regulations, the Bank may pay dividends to the Company without prior regulatory approval so long as it meets its applicable regulatory capital requirements before and after payment of such dividends and its total dividends do not exceed its net income to date over the calendar year plus retained net income over the preceding two years. At December 31, 2008, the Bank was in compliance with all applicable minimum capital requirements and had the ability to pay dividends of \$46.6 million to the Company without the prior approval of the OCC.

If the capital of the Company is diminished by depreciation in the value of its property or by losses, or otherwise, to an amount less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets, no dividends may be paid out of net profits until the deficiency in the amount of capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets has been repaired. See the section captioned “Supervision and Regulation” in Item 1. Business and Note 15 – Stockholders’ Equity in the notes to consolidated financial statements included in Item 8. Financial Statements and Supplementary Data, which are located elsewhere in this report.

ITEM 6. SELECTED FINANCIAL DATA

The following summary of financial and other information about the Company is derived from the Company's audited consolidated financial statements for each of the last five fiscal years ended December 31 and should be read in conjunction with Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and the Company's consolidated financial statements and accompanying notes, included elsewhere in this report:

| (In thousands, except per share data) | Year ended December 31, | | | | |
|--|-------------------------|--------------|--------------|------------|------------|
| | 2008 | 2007 | 2006 | 2005 | 2004 |
| Interest, fee and dividend income | \$ 294,414 | \$ 306,117 | \$ 288,842 | \$ 236,367 | \$ 210,179 |
| Interest expense | 108,368 | 141,090 | 125,009 | 78,256 | 59,692 |
| Net interest income | 186,046 | 165,027 | 163,833 | 158,111 | 150,487 |
| Provision for loan and lease losses | 27,181 | 30,094 | 9,395 | 9,464 | 9,615 |
| Noninterest income excluding securities gains (losses) | 70,171 | 57,586 | 49,504 | 43,785 | 40,673 |
| Securities gains (losses) , net | 1,535 | 2,113 | (875) | (1,236) | 216 |
| Noninterest expense | 146,813 | 122,517 | 122,966 | 115,305 | 109,777 |
| Income before income taxes | 83,758 | 72,115 | 80,101 | 75,891 | 71,984 |
| Net income | 58,353 | 50,328 | 55,947 | 52,438 | 50,047 |
| Per common share | | | | | |
| Basic earnings | \$ 1.81 | \$ 1.52 | \$ 1.65 | \$ 1.62 | \$ 1.53 |
| Diluted earnings | 1.80 | 1.51 | 1.64 | 1.60 | 1.51 |
| Cash dividends paid | 0.80 | 0.79 | 0.76 | 0.76 | 0.74 |
| Book value at year-end | 13.24 | 12.29 | 11.79 | 10.34 | 10.11 |
| Tangible book value at year-end | 9.01 | 8.78 | 8.42 | 8.75 | 8.66 |
| Average diluted common shares outstanding | 32,427 | 33,421 | 34,206 | 32,710 | 33,087 |
| At December 31, | | | | | |
| Securities available for sale, at fair value | \$ 1,119,665 | \$ 1,140,114 | \$ 1,106,322 | \$ 954,474 | \$ 952,542 |
| Securities held to maturity, at amortized cost | 140,209 | 149,111 | 136,314 | 93,709 | 81,782 |
| Loans and leases | 3,651,911 | 3,455,851 | 3,412,654 | 3,022,657 | 2,869,921 |
| Allowance for loan and lease losses | 58,564 | 54,183 | 50,587 | 47,455 | 44,932 |
| Assets | 5,336,088 | 5,201,776 | 5,087,572 | 4,426,773 | 4,212,304 |
| Deposits | 3,923,258 | 3,872,093 | 3,796,238 | 3,160,196 | 3,073,838 |
| Borrowings | 914,123 | 868,776 | 838,558 | 883,182 | 752,066 |
| Stockholders' equity | 431,845 | 397,300 | 403,817 | 333,943 | 332,233 |
| Key ratios | | | | | |
| Return on average assets | 1.11% | 0.98% | 1.14% | 1.21% | 1.21% |
| Return on average equity | 14.16 | 12.60 | 14.47 | 15.86 | 15.69 |
| Average equity to average assets | 7.83 | 7.81 | 7.85 | 7.64 | 7.74 |
| Net interest margin | 3.95 | 3.61 | 3.70 | 4.01 | 4.03 |
| Dividend payout ratio | 44.44 | 52.32 | 46.34 | 47.50 | 49.01 |
| Tier 1 leverage | 7.17 | 7.14 | 7.57 | 7.16 | 7.13 |
| Tier 1 risk-based capital | 9.75 | 9.79 | 10.42 | 9.80 | 9.78 |
| Total risk-based capital | 11.00 | 11.05 | 11.67 | 11.05 | 11.04 |

Selected Quarterly Financial Data

| | 2008 | | | | 2007 | | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | First | Second | Third | Fourth | First | Second | Third | Fourth |
| <i>(Dollars in thousands, except per share data)</i> | | | | | | | | |
| Interest, fee and dividend income | \$ 74,652 | \$ 72,854 | \$ 73,621 | \$ 73,287 | \$ 75,459 | \$ 76,495 | \$ 77,181 | \$ 76,982 |
| Interest expense | 30,587 | 26,849 | 26,578 | 24,354 | 34,830 | 35,137 | 35,994 | 35,129 |
| Net interest income | 44,065 | 46,005 | 47,043 | 48,933 | 40,629 | 41,358 | 41,187 | 41,853 |
| Provision for loan and lease losses | 6,478 | 5,803 | 7,179 | 7,721 | 2,096 | 9,770 | 4,788 | 13,440 |
| Noninterest income excluding net securities gains (losses) | 16,080 | 16,401 | 17,452 | 20,238 | 12,695 | 13,971 | 15,043 | 15,877 |
| Net securities gains (losses) | 15 | 18 | 1,510 | (8) | (5) | 21 | 1,484 | 613 |
| Noninterest expense | 34,034 | 35,423 | 37,058 | 40,298 | 30,872 | 28,014 | 31,227 | 32,404 |
| Net income | 13,716 | 14,657 | 15,083 | 14,897 | 14,132 | 12,064 | 15,147 | 8,985 |
| Basic earnings per share | \$ 0.43 | \$ 0.46 | \$ 0.47 | \$ 0.46 | \$ 0.41 | \$ 0.36 | \$ 0.46 | \$ 0.28 |
| Diluted earnings per share | \$ 0.43 | \$ 0.45 | \$ 0.46 | \$ 0.45 | \$ 0.41 | \$ 0.36 | \$ 0.46 | \$ 0.28 |
| Net interest margin | 3.84% | 3.94% | 3.94% | 4.06% | 3.63% | 3.63% | 3.56% | 3.61% |
| Return on average assets | 1.07% | 1.12% | 1.13% | 1.11% | 1.13% | 0.95% | 1.17% | 0.69% |
| Return on average equity | 13.68% | 14.49% | 14.58% | 13.88% | 14.06% | 11.90% | 15.41% | 9.06% |
| Average diluted common shares outstanding | 32,252 | 32,242 | 32,453 | 32,758 | 34,457 | 33,936 | 32,921 | 32,398 |

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

GENERAL

The financial review which follows focuses on the factors affecting the consolidated financial condition and results of operations of NBT Bancorp Inc. (the “Registrant”) and its wholly owned subsidiaries, the Bank, NBT Financial and NBT Holdings during 2008 and, in summary form, the preceding two years. Collectively, the Registrant and its subsidiaries are referred to herein as “the Company.” Net interest margin is presented in this discussion on a fully taxable equivalent (FTE) basis. Average balances discussed are daily averages unless otherwise described. The audited consolidated financial statements and related notes as of December 31, 2008 and 2007 and for each of the years in the three-year period ended December 31, 2008 should be read in conjunction with this review. Amounts in prior period consolidated financial statements are reclassified whenever necessary to conform to the 2008 presentation.

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

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

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

CRITICAL ACCOUNTING POLICIES

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

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

Management is required to make various assumptions in valuing its pension assets and liabilities. These assumptions include the expected rate of return on plan assets, the discount rate, and the rate of increase in future compensation levels. Changes to these assumptions could impact earnings in future periods. The Company takes into account the plan asset mix, funding obligations, and expert opinions in determining the various rates used to estimate pension expense. The Company also considers the Citigroup Liability Index 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. In 2006, the Pension Protection Act of 2006 was enacted, which established certain criteria to ensure that pension plan assets are sufficient to satisfy future obligations. The law identifies at risk plans and applies stricter funding requirements to help stabilize at risk plans. The Company has determined that the law does not materially affect the Company's funding obligations with respect to its benefit plans.

The Company's policy on the allowance for loan and lease losses and pension accounting is disclosed in Note 1 to the consolidated financial statements. A more detailed description of the allowance for loan and lease losses is included in the "Risk Management" section of this Form 10-K. All significant pension accounting assumptions and detail is disclosed in Note 17 to the consolidated financial statements. All accounting policies are important, and as such, the Company encourages the reader to review each of the policies included in Note 1 to obtain a better understanding on how the Company's financial performance is reported.

FORWARD LOOKING STATEMENTS

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

- Local, regional, national and international economic conditions and the impact they may have on the Company and its customers and the Company's assessment of that impact.
- Changes in the level of non-performing assets and charge-offs.
- Changes in estimates of future reserve requirements based upon the periodic review thereof under relevant regulatory and accounting requirements.
- The effects of and changes in trade and monetary and fiscal policies and laws, including the interest rate policies of the Federal Reserve Board.
- Inflation, interest rate, securities market and monetary fluctuations.
- Political instability.

- Acts of war or terrorism.
- The timely development and acceptance of new products and services and perceived overall value of these products and services by users.
- Changes in consumer spending, borrowings and savings habits.
- Changes in the financial performance and/or condition of the Company's borrowers.
- Technological changes.
- Acquisitions and integration of acquired businesses.
- The ability to increase market share and control expenses.
- Changes in the competitive environment among financial holding companies.
- The effect of changes in laws and regulations (including laws and regulations concerning taxes, banking, securities and insurance) with which the Company and its subsidiaries must comply.
- The effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Public Company Accounting Oversight Board, the Financial Accounting Standards Board and other accounting standard setters.
- Changes in the Company's organization, compensation and benefit plans.
- The costs and effects of legal and regulatory developments including the resolution of legal proceedings or regulatory or other governmental inquiries and the results of regulatory examinations or reviews.
- Greater than expected costs or difficulties related to the integration of new products and lines of business.
- The Company's success at managing the risks involved in the foregoing items.

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

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

OVERVIEW

The Company had net income of \$58.4 million or \$1.80 per diluted share for 2008, up 15.9% from net income of \$50.3 million or \$1.51 per diluted share for 2007. Net interest income increased \$21.0 million or 12.7% in 2008 compared to 2007. The increase in net interest income resulted from decreases in rates paid on interest bearing deposits and liabilities in 2008 as compared with 2007. In addition, average earning assets increased \$132.7 million, or 2.8%, in 2008 over 2007. The provision for loan and lease losses totaled \$27.2 million for the year ended December 31, 2008, down \$2.9 million, or 9.7%, from \$30.1 million for the year ended December 31, 2007. Noninterest income increased \$12.0 million or 20.1% compared to 2007. The increase in noninterest income was driven primarily by an increase in service charges on deposit accounts and ATM and debit card fees, which collectively increased \$6.0 million due to various initiatives in 2008. Also included in noninterest income for 2008 were net securities gains totaling \$1.5 million compared to net securities gains of \$2.1 million in 2007. Excluding net security gains and losses, total noninterest income increased 21.9% in 2008 compared with 2007. Noninterest expense increased \$24.3 million, or 19.8%, in 2008 compared with 2007. The increase in noninterest expense was due to several factors including increases in salaries and employee benefits, occupancy, equipment and data processing and communications expenses, professional fees and outside services, loan collection and other real estate owned expenses, and other operating expenses. Please refer to "NONINTEREST EXPENSE" on page 42 for additional information.

The Company had net income of \$50.3 million or \$1.51 per diluted share for 2007, down 10.0% from net income of \$55.9 million or \$1.64 per diluted share for 2006. The provision for loan and lease losses totaled \$30.1 million for the year ended December 31, 2007, up \$20.7, or 220.3%, from \$9.4 million for the year ended December 31, 2006. This increase was due in large part to increases in nonperforming loans and charge-offs in 2007. The increase in the provision for loan and lease losses was offset by several factors. Net interest income increased \$1.2 million or 0.7% in 2007 compared to 2006. The increase in net interest income resulted mainly from an increase in average earning assets of \$171.4 million, or 3.7% to \$4.7 billion in 2007, driven by a 3.7% increase in average loans and leases for the period. Noninterest income increased \$11.1 million or 22.8% compared to 2006. The increase in noninterest income was driven primarily by an increase in service charges on deposit accounts from fee initiatives during the year. Also included in noninterest income for 2007 were net securities gains totaling \$2.1 million compared to net securities losses of \$0.9 million in 2006. Excluding net security gains and losses, total noninterest income increased 16.3% in 2007 compared with 2006. Noninterest expense remained relatively stable from \$123.0 million in 2006 to \$122.5 million in 2007.

2009 OUTLOOK

While the Company reported record earnings for 2008, it anticipates that current global economic conditions and challenges in the financial services industry may negatively impact earnings in 2009. In particular, the Company currently expects that in 2009:

- premiums paid to the Federal Deposit Insurance Corporation will increase significantly;
- pension and postretirement expenses will increase significantly;
- revenue from Federal Home Loan Bank dividends may decrease significantly;
- payments representing interest and principal on currently outstanding loans and investments will most likely be reinvested at rates that are lower than the rates on currently outstanding loans and investments; and
- the economy may have an adverse affect on asset quality indicators and the provision for loan and lease losses, and therefore credit costs, which have trended higher in recent years, are not expected to decline until economic indicators improve.

Due to current uncertainty in economic conditions and the financial services industry in general, it is particularly difficult to estimate certain revenues, expenses and other related matters. There may be factors in addition to those identified above that impact 2009 results. For a discussion of risks and uncertainties that could impact the Company's future results, see ITEM 1A. RISK FACTORS.

ASSET/LIABILITY MANAGEMENT

The Company attempts to maximize net interest income, and net income, while actively managing its liquidity and interest rate sensitivity through the mix of various core deposit products and other sources of funds, which in turn fund an appropriate mix of earning assets. The changes in the Company's asset mix and sources of funds, and the resultant impact on net interest income, on a fully tax equivalent basis, are discussed below. The following table includes the condensed consolidated average balance sheet, an analysis of interest income/expense and average yield/rate for each major category of earning assets and interest bearing liabilities on a taxable equivalent basis. Interest income for tax-exempt securities and loans and leases has been adjusted to a taxable-equivalent basis using the statutory Federal income tax rate of 35%.

Table 1. Average Balances and Net Interest Income

| (Dollars in thousands) | 2008 | | | 2007 | | | 2006 | | |
|---|-----------------|------------|------------|-----------------|------------|------------|-----------------|------------|------------|
| | Average Balance | Interest | Yield/Rate | Average Balance | Interest | Yield/Rate | Average Balance | Interest | Yield/Rate |
| Assets | | | | | | | | | |
| Short-term interest bearing accounts | \$ 9,190 | \$ 186 | 2.03% | \$ 8,395 | \$ 419 | 4.99% | \$ 8,116 | \$ 395 | 4.87% |
| Securities available for sale ¹ | 1,113,810 | 56,841 | 5.10 | 1,134,837 | 57,290 | 5.05 | 1,110,405 | 53,992 | 4.86 |
| Securities held to maturity ¹ | 149,775 | 8,430 | 5.63 | 144,518 | 8,901 | 6.16 | 115,636 | 7,071 | 6.11 |
| Investment in FRB and FHLB Banks | 39,735 | 2,437 | 6.13 | 34,022 | 2,457 | 7.22 | 39,437 | 2,076 | 5.26 |
| Loans and leases ² | 3,567,299 | 233,016 | 6.53 | 3,425,318 | 243,317 | 7.10 | 3,302,080 | 230,800 | 6.99 |
| Total earning assets | 4,879,809 | 300,910 | 6.17 | 4,747,090 | 312,384 | 6.58 | 4,575,674 | 294,334 | 6.43 |
| Other non-interest earning assets | 384,846 | | | 362,497 | | | 349,396 | | |
| Total assets | \$5,264,655 | | | \$5,109,587 | | | \$4,925,070 | | |
| Liabilities and stockholders' equity | | | | | | | | | |
| Money market deposit accounts | \$ 778,477 | 14,373 | 1.85% | \$ 663,532 | 22,402 | 3.38% | \$ 543,323 | 18,050 | 3.32% |
| NOW deposit accounts | 485,014 | 4,133 | 0.85 | 449,122 | 3,785 | 0.84 | 443,339 | 3,297 | 0.74 |
| Savings deposits | 467,572 | 2,161 | 0.46 | 485,562 | 4,299 | 0.89 | 532,788 | 4,597 | 0.86 |
| Time deposits | 1,507,966 | 55,465 | 3.68 | 1,675,116 | 76,088 | 4.54 | 1,534,556 | 61,854 | 4.03 |
| Total interest-bearing deposits | 3,239,029 | 76,132 | 2.35 | 3,273,332 | 106,574 | 3.26 | 3,054,006 | 87,798 | 2.87 |
| Short-term borrowings | 223,830 | 4,847 | 2.17 | 280,162 | 12,943 | 4.62 | 331,255 | 15,448 | 4.66 |
| Trust preferred debentures | 75,422 | 4,747 | 6.29 | 75,422 | 5,087 | 6.74 | 70,055 | 4,700 | 6.71 |
| Long-term debt | 563,460 | 22,642 | 4.02 | 384,017 | 16,486 | 4.29 | 414,976 | 17,063 | 4.11 |
| Total interest-bearing liabilities | 4,101,741 | 108,368 | 2.64 | 4,012,933 | 141,090 | 3.52 | 3,870,292 | 125,009 | 3.23 |
| Demand deposits | 682,656 | | | 639,423 | | | 614,055 | | |
| Other non-interest-bearing liabilities | 68,156 | | | 57,932 | | | 54,170 | | |
| Stockholders' equity | 412,102 | | | 399,299 | | | 386,553 | | |
| Total liabilities and stockholders' equity | \$5,264,655 | | | \$5,109,587 | | | \$4,925,070 | | |
| Interest rate spread | | | 3.53% | | | 3.06% | | | 3.20% |
| Net interest income-FTE | | 192,542 | | | 171,294 | | | 169,325 | |
| Net interest margin | | | 3.95% | | | 3.61% | | | 3.70% |
| Taxable equivalent adjustment | | 6,496 | | | 6,267 | | | 5,492 | |
| Net interest income | | \$ 186,046 | | | \$ 165,027 | | | \$ 163,833 | |

1. Securities are shown at average amortized cost.

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

NET INTEREST INCOME

On a tax equivalent basis, the Company's net interest income for 2008 was \$192.5 million, up from \$171.3 million for 2007. The Company's net interest margin increased to 3.95% for 2008 from 3.61% for 2007. The increase in the net interest margin resulted primarily from interest-bearing liabilities repricing down faster than earning assets. Earning assets, particularly those tied to a fixed rate, reprice at a slower rate than interest-bearing liabilities, and have not fully realized the effect of the lower interest rate environment. The yield on earning assets decreased 41 basis points (bp), from 6.58% for 2007 to 6.17% for 2008. Meanwhile, the rate paid on interest bearing liabilities decreased 88 bp, from 3.52% for 2007 to 2.64% for 2008. Average earning assets increased \$132.7 million, or 2.8%, from 2007 to 2008. This increase was driven primarily by a \$142.0 million increase in average loans and leases, which was driven primarily by a 23.4% increase in consumer indirect installment loans. The following table presents changes in interest income, on a FTE basis, and interest expense attributable to changes in volume (change in average balance multiplied by prior year rate), changes in rate (change in rate multiplied by prior year volume), and the net change in net interest income. The net change attributable to the combined impact of volume and rate has been allocated to each in proportion to the absolute dollar amounts of change.

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

| (In thousands) | Increase (Decrease) 2008 over 2007 | | | Increase (Decrease) 2007 over 2006 | | |
|--------------------------------------|---------------------------------------|-----------|-----------|---------------------------------------|------------|----------|
| | Volume | Rate | Total | Volume | Rate | Total |
| Short-term interest-bearing accounts | \$ 44 | \$ (276) | \$ (232) | \$ 14 | \$ 10 | \$ 24 |
| Securities available for sale | (1,021) | 222 | (799) | 1,205 | 2,093 | 3,298 |
| Securities held to maturity | 228 | (538) | (310) | 1,779 | 51 | 1,830 |
| Investment in FRB and FHLB Banks | 380 | (400) | (20) | (314) | 695 | 381 |
| Loans and leases | 10,908 | (21,250) | (10,342) | 8,711 | 3,806 | 12,517 |
| Total interest income | 10,539 | (22,242) | (11,703) | 11,184 | 6,866 | 18,050 |
| Money market deposit accounts | 4,969 | (12,998) | (8,029) | 4,054 | 298 | 4,352 |
| NOW deposit accounts | 305 | 43 | 348 | 44 | 444 | 488 |
| Savings deposits | (154) | (1,984) | (2,138) | (416) | 118 | (298) |
| Time deposits | (7,095) | (13,528) | (20,623) | 5,967 | 8,267 | 14,234 |
| Short-term borrowings | (2,223) | (5,873) | (8,096) | (2,362) | (143) | (2,505) |
| Trust preferred debentures | - | (340) | (340) | 362 | 25 | 387 |
| Long-term debt | 7,133 | (977) | 6,156 | (1,308) | 731 | (577) |
| Total interest expense | 2,935 | (35,657) | (32,722) | 4,727 | 11,354 | 16,081 |
| Change in FTE net interest income | \$ 7,604 | \$ 13,415 | \$ 21,019 | \$ 6,457 | \$ (4,488) | \$ 1,969 |

LOANS AND LEASES AND CORRESPONDING INTEREST AND FEES ON LOANS

The average balance of loans and leases increased 4.1%, totaling \$3.6 billion in 2008 compared to \$3.4 billion in 2007. The yield on average loans and leases decreased from 7.10% in 2007 to 6.53% in 2008, as loan rates, particularly for loans indexed to the Prime Rate and other short-term variable rate indices, declined due to the declining rate environment in 2008. Interest income from loans and leases on a FTE basis decreased 4.2%, from \$243.3 million in 2007 to \$233.0 million in 2008. The decrease in interest income from loans and leases was due to the decrease in yield on loans and leases in 2008 compared to 2007 noted above.

Total loans and leases increased 5.7% at December 31, 2008, totaling \$3.7 billion from \$3.5 billion at December 31, 2007. The increase in loans and leases was driven by strong growth in consumer loans and home equity loans. Consumer loans increased \$139.7 million or 21.3%, from \$655.4 million at December 31, 2007 to \$795.1 million at December 31, 2008. The increase in consumer loans was driven primarily by an increase in indirect installment loans of \$155.0 million, from \$520.7 million in 2007 to \$675.7 million in 2008. Home equity loans increased \$44.9 million or 7.7% from \$582.7 million at December 31, 2007 to \$627.6 million at December 31, 2008. The increase in home equity loans was due to strong product demand and successful marketing of home equity products. Commercial and commercial real estate increased \$26.9 million at December 31, 2008 when compared to December 31, 2007. These increases were partially offset by a decrease in real estate construction and development loans, which decreased \$13.5 million, or 16.6% at December 31, 2008 as compared to December 31, 2007.

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

Table 3. Composition of Loan and Lease Portfolio

| (In thousands) | December 31, | | | | |
|---|--------------|--------------|--------------|--------------|--------------|
| | 2008 | 2007 | 2006 | 2005 | 2004 |
| Residential real estate mortgages | \$ 722,723 | \$ 719,182 | \$ 739,607 | \$ 701,734 | \$ 721,615 |
| Commercial and commercial real estate | 1,241,779 | 1,214,897 | 1,240,383 | 1,127,705 | 1,069,451 |
| Real estate construction and development | 67,859 | 81,350 | 94,494 | 69,135 | 86,031 |
| Agricultural and agricultural real estate | 113,566 | 116,190 | 118,278 | 114,043 | 108,181 |
| Consumer | 795,123 | 655,375 | 586,922 | 463,955 | 412,139 |
| Home equity | 627,603 | 582,731 | 546,719 | 463,848 | 391,807 |
| Lease financing | 83,258 | 86,126 | 86,251 | 82,237 | 80,697 |
| Total loans and leases | \$ 3,651,911 | \$ 3,455,851 | \$ 3,412,654 | \$ 3,022,657 | \$ 2,869,921 |

Residential real estate mortgages consist primarily of loans secured by first or second deeds of trust on primary residences. Loans in the commercial and agricultural categories, including commercial and agricultural real estate mortgages, consist primarily of short-term and/or floating rate loans made to small to medium-sized entities. Consumer loans consist primarily of installment credit to individuals secured by automobiles and other personal property including manufactured housing. Indirect installment loans represent \$675.7 million of total consumer loans. Real estate construction and development loans include commercial construction and development and residential construction loans. Commercial construction loans are for small and medium sized office buildings and other commercial properties and residential construction loans are primarily for projects located in upstate New York and northeastern Pennsylvania.

Lease financing receivables primarily represent automobile financing to customers through direct financing leases and are carried at the aggregate of the lease payments receivable and the estimated residual values, net of unearned income and net deferred lease origination fees and costs. Net deferred lease origination fees and costs are amortized under the effective interest method over the estimated lives of the leases.

One of the most significant risks associated with leasing operations is the recovery of the residual value of the leased vehicles at the termination of the lease. At termination, the lessor has the option to purchase the vehicle or may turn the vehicle over to the Company. The residual values included in lease financing receivables totaled \$58.6 million and \$58.4 million at December 31, 2008 and 2007, respectively. The estimated residual value related to the total lease portfolio is reviewed quarterly. 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, including consideration of residual value insurance, a loss is recognized. Adjustments related to such other-than-temporary declines in estimated fair value are recorded within noninterest expenses in the consolidated statements of income. The Company recorded an other-than-temporary impairment charge on lease residual assets totaling \$2.0 million during the third quarter of 2008 as a result of a decline in the fair value of lease residual assets associated with certain leased vehicles.

The following table, Maturities and Sensitivities of Certain Loans to Changes in Interest Rates, summarizes the maturities of the commercial and agricultural and real estate construction and development loan portfolios and the sensitivity of those loans to interest rate fluctuations at December 31, 2008. Scheduled repayments are reported in the maturity category in which the contractual payment is due.

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

| | Remaining maturity at December 31, 2008 | | | |
|--|---|--|---------------------|--------------|
| | Within One Year | After One Year But Within Five Years | After Five Years | Total |
| <i>(In thousands)</i> | | | | |
| <i>Floating/adjustable rate</i> | | | | |
| Commercial, commercial real estate, agricultural, and agricultural real estate | \$ 318,868 | \$ 100,704 | \$ 3,614 | \$ 423,186 |
| Real estate construction and development | 36,671 | 1,181 | - | 37,852 |
| Total floating rate loans | 355,539 | 101,885 | 3,614 | 461,038 |
| <i>Fixed rate</i> | | | | |
| Commercial, commercial real estate, agricultural, and agricultural real estate | 384,238 | 379,122 | 168,797 | 932,157 |
| Real estate construction and development | 15,289 | 3,950 | 10,770 | 30,009 |
| Total fixed rate loans | 399,527 | 383,072 | 179,567 | 962,166 |
| Total | \$ 755,066 | \$ 484,957 | \$ 183,181 | \$ 1,423,204 |

SECURITIES AND CORRESPONDING INTEREST AND DIVIDEND INCOME

The average balance of the amortized cost for securities available for sale decreased \$21.0 million, or 1.9%, from \$1.1 billion in 2007. The yield on average securities available for sale was 5.10% for 2008 compared to 5.05% in 2007.

The average balance of securities held to maturity increased from \$144.5 million in 2007 to \$149.8 million in 2008. At December 31, 2008, securities held to maturity were comprised primarily of tax-exempt municipal securities. The yield on securities held to maturity decreased from 6.16% in 2007 to 5.63% in 2008 due to reinvestments during 2008 in lower yielding securities resulting from interest rate cuts by the FRB during 2008.

The average balance of FRB and Federal Home Loan Bank (FHLB) stock increased to \$39.7 million in 2008 from \$34.0 million in 2007. This increase was driven primarily by increases in average borrowings from 2007 to 2008, which directly impacts FHLB holdings. The yield from investments in FRB and FHLB Banks decreased from 7.22% in 2007 to 6.13% in 2008 due to decreases in dividend rates from FHLB during 2008.

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

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

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

Table 5. Securities Portfolio

| | As of December 31, | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2008 | | 2007 | | 2006 | |
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| <i>(In thousands)</i> | | | | | | |
| <i>Securities available for sale</i> | | | | | | |
| U.S. Treasury | \$ 59 | \$ 67 | \$ 10,042 | \$ 10,077 | \$ 10,516 | \$ 10,487 |
| Federal Agency and mortgage-backed | 565,970 | 579,796 | 704,308 | 705,354 | 744,078 | 731,754 |
| State & Municipal, collateralized mortgage | | | | | | |
| obligations and other securities | 532,918 | 539,802 | 418,654 | 424,683 | 361,854 | 364,081 |
| Total securities available for sale | <u>\$ 1,098,947</u> | <u>\$ 1,119,665</u> | <u>\$ 1,133,004</u> | <u>\$ 1,140,114</u> | <u>\$ 1,116,448</u> | <u>\$ 1,106,322</u> |
| <i>Securities held to maturity</i> | | | | | | |
| Federal Agency and mortgage-backed | \$ 2,372 | \$ 2,467 | \$ 2,810 | \$ 2,909 | \$ 3,434 | \$ 3,497 |
| State & Municipal | 136,259 | 137,263 | 145,458 | 145,767 | 132,213 | 132,123 |
| Other securities | 1,578 | 1,578 | 843 | 843 | 667 | 667 |
| Total securities held to maturity | <u>\$ 140,209</u> | <u>\$ 141,308</u> | <u>\$ 149,111</u> | <u>\$ 149,519</u> | <u>\$ 136,314</u> | <u>\$ 136,287</u> |

In the available for sale category at December 31, 2008, federal agency securities were comprised of Government-Sponsored Enterprise (“GSE”) securities; Mortgaged-backed securities were comprised of GSEs 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 GSEs 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. At December 31, 2008, all of the mortgaged-backed securities held to maturity were comprised of US Government Agency securities.

The following tables set forth information with regard to contractual maturities of debt securities at December 31, 2008:

| <i>(In thousands)</i> | Amortized cost | Estimated fair value | Weighted Average Yield |
|--|---------------------|----------------------|------------------------|
| <i>Debt securities classified as available for sale</i> | | | |
| Within one year | \$ 27,075 | \$ 27,447 | 4.36% |
| From one to five years | 175,125 | 178,107 | 4.18% |
| From five to ten years | 388,180 | 399,259 | 4.76% |
| After ten years | 498,092 | 504,085 | 4.75% |
| | <u>\$ 1,088,472</u> | <u>\$ 1,108,898</u> | |
| <i>Debt securities classified as held to maturity</i> | | | |
| Within one year | \$ 75,141 | \$ 75,192 | 2.98% |
| From one to five years | 34,547 | 34,929 | 3.89% |
| From five to ten years | 22,530 | 23,075 | 4.02% |
| After ten years | 7,991 | 8,112 | 5.11% |
| | <u>\$ 140,209</u> | <u>\$ 141,308</u> | |

FUNDING SOURCES AND CORRESPONDING INTEREST EXPENSE

The Company utilizes traditional deposit products such as time, savings, NOW, money market, and demand deposits as its primary source for funding. Other sources, such as short-term FHLB advances, federal funds purchased, securities sold under agreements to repurchase, brokered time deposits, and long-term FHLB borrowings are utilized as necessary to support the Company’s growth in assets and to achieve interest rate sensitivity objectives. The average balance of interest-bearing liabilities increased \$88.8 million, totaling \$4.1 billion in 2008 from \$4.0 billion in 2007. The rate paid on interest-bearing liabilities decreased from 3.52% in 2007 to 2.64% in 2008. This decrease caused a decrease in interest expense of \$32.7 million, or 23.2%, from \$141.1 million in 2007 to \$108.4 million in 2008.

DEPOSITS

Average interest bearing deposits decreased \$34.3 million, or 1.0%, during 2008 compared to 2007. The decrease resulted primarily from a decrease in time deposits, partially offset by increases in money market deposits and NOW account deposits. Average time deposits decreased \$167.2 million or 10.0% during 2008 as compared to 2007. The decrease in average time deposits resulted primarily from decreases in municipal and negotiated rate time deposits. Average money market deposits increased \$114.9 million or 17.3% during 2008 when compared to 2007. The increase in average money market deposits resulted primarily from an increase in personal money market deposits. Average NOW accounts increased \$35.9 million or 8.0% during 2008 as compared to 2007. This increase was due primarily to increases in municipal NOW accounts. The average balance of savings accounts decreased \$18.0 million or 3.7% during 2008 when compared to 2007. The average balance of demand deposits increased \$43.2 million, or 6.8%, from \$639.4 million in 2007 to \$682.6 million in 2008. This growth in demand deposits was driven principally by increases in accounts from retail customers.

The rate paid on average interest-bearing deposits decreased from 3.26% during 2007 to 2.35% in 2008. The decrease in the rate on interest-bearing deposits was driven primarily by pricing decreases from money market accounts and time deposits, which are sensitive to interest rate changes. The pricing decreases for these products resulted from decreases in short-term rates by the FRB during 2008 combined with an overall decrease in market rates. The rates paid for money market deposit accounts decreased from 3.38% during 2007 to 1.85% during 2008. The rate paid for savings deposits decreased from 0.89% in 2007 to 0.46% in 2008 and the rate paid on time deposits decreased from 4.54% during 2007 to 3.68% during 2008.

The following table presents the maturity distribution of time deposits of \$100,000 or more at December 31, 2008 and December 31, 2007:

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

| <i>(In thousands)</i> | December 31, | |
|--------------------------------------|--------------|------------|
| | 2008 | 2007 |
| Within three months | \$ 240,788 | \$ 446,347 |
| After three but within twelve months | 134,097 | 214,368 |
| After one but within three years | 35,735 | 28,468 |
| Over three years | 18,130 | 5,082 |
| Total | \$ 428,750 | \$ 694,265 |

BORROWINGS

Average short-term borrowings decreased \$56.3 million to \$223.8 million in 2008. The average rate paid on short-term borrowings decreased from 4.62% in 2007 to 2.17% in 2008, which was primarily driven by the FRB decreasing the Fed Funds target rate (which directly impacts short-term borrowing rates) 400 bp in 2008. Average long-term debt increased from \$384.0 million in 2007 to \$563.5 million in 2008, which was primarily due to the Company's strategy of mitigating interest rate risk exposure by securing long term borrowings in the relatively low rate environment.

The average balance of trust preferred debentures remained at \$75.4 million in 2008 compared to 2007. The average rate paid for trust preferred debentures in 2008 was 6.29%, down from 6.74% in 2007. The decrease in rate on the trust preferred debentures is due primarily to the previously mentioned decrease in short-term rates during 2008.

Short-term borrowings consist of Federal funds purchased and securities sold under repurchase agreements, which generally represent overnight borrowing transactions, and other short-term borrowings, primarily FHLB advances, with original maturities of one year or less. The Company has unused lines of credit and access to brokered deposits available for short-term financing of approximately \$771 million and \$804 million at December 31, 2008 and 2007, respectively. Securities collateralizing repurchase agreements are held in safekeeping by non-affiliated financial institutions and are under the Company's control. Long-term debt, which is comprised primarily of FHLB advances, are collateralized by the FHLB stock owned by the Company, certain of its mortgage-backed securities and a blanket lien on its residential real estate mortgage loans.

RISK MANAGEMENT-CREDIT RISK

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

NONPERFORMING ASSETS

Table 7. Nonperforming Assets

| | As of December 31, | | | | |
|---|--------------------|-----------|----------|----------|-----------|
| (Dollars in thousands) | 2008 | 2007 | 2006 | 2005 | 2004 |
| Nonaccrual loans | | | | | |
| Commercial and agricultural loans and real estate | \$ 15,891 | \$ 20,491 | \$ 9,346 | \$ 9,373 | \$ 10,550 |
| Real estate mortgages | 3,803 | 1,372 | 2,338 | 2,009 | 2,553 |
| Consumer | 3,468 | 2,934 | 1,981 | 2,037 | 1,888 |
| Troubled debt restructured loans | 1,029 | 4,900 | - | - | - |
| Total nonaccrual loans | 24,191 | 29,697 | 13,665 | 13,419 | 14,991 |
| Loans 90 days or more past due and still accruing | | | | | |
| Commercial and agricultural loans and real estate | 12 | 51 | 138 | - | - |
| Real estate mortgages | 770 | 295 | 682 | 465 | 737 |
| Consumer | 1,523 | 536 | 822 | 413 | 449 |
| Total loans 90 days or more past due and still accruing | 2,305 | 882 | 1,642 | 878 | 1,186 |
| Total nonperforming loans | 26,496 | 30,579 | 15,307 | 14,297 | 16,177 |
| Other real estate owned | 665 | 560 | 389 | 265 | 428 |
| Total nonperforming loans and other real estate owned | 27,161 | 31,139 | 15,696 | 14,562 | 16,605 |
| Total nonperforming loans to loans and leases | 0.73% | 0.88% | 0.45% | 0.47% | 0.56% |
| Total nonperforming loans and other real estate owned to total assets | 0.51% | 0.60% | 0.31% | 0.33% | 0.39% |
| Total allowance for loan and lease losses to nonperforming loans | 221.03% | 177.19% | 330.48% | 331.92% | 277.75% |

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

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

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

Total nonperforming assets were \$27.2 million at December 31, 2008, compared to \$31.1 million at December 31, 2007. Nonperforming loans totaled \$26.5 million at December 31, 2008, down from \$30.6 million outstanding at December 31, 2007. The decrease in 2008 was primarily due to net charge-offs during the 12 month period ending December 31, 2008 related to two large commercial loans, both of which had been previously identified and reserved for in 2007. The Company recorded a provision for loan and lease losses of \$27.2 million during 2008 compared with \$30.1 million for 2007. This decrease was due primarily to the provision in the fourth quarter of 2007 related to one of the aforementioned loans and the overall decrease in nonperforming loans. Nonperforming loans as a percentage of total loans and leases decreased to 0.73% for December 31, 2008 from 0.88% at December 31, 2007. The allowance for loan and lease losses was 221.03% of non-performing loans at December 31, 2008 as compared to 177.19% at December 31, 2007.

Impaired loans, which primarily consist of nonaccruing commercial, commercial real estate, agricultural, and agricultural real estate loans decreased to \$11.3 million at December 31, 2008 as compared to \$21.5 million at December 31, 2007. At December 31, 2008, \$1.7 million of the total impaired loans had a specific reserve allocation of \$0.6 million compared to \$12.8 million of impaired loans at December 31, 2007 which had a specific reserve allocation of \$5.1 million.

Total net charge-offs for 2008 were \$22.8 million as compared with \$26.5 million for 2007. The decrease in net charge-offs for the 12 months ended December 31, 2008 was due primarily to higher charge-offs in 2007 related to one of the aforementioned loans. The ratio of net charge-offs to average loans and leases was 0.64% for 2008 compared to 0.77% for 2007. Gross charge-offs decreased \$4.6 million, totaling \$26.7 million for 2008 compared to \$31.2 million for 2007. Recoveries declined slightly from \$4.7 million for the 12 months ended December 31, 2007 to \$4.2 million for the 12 month period ending December 31, 2008. The allowance for loan and lease losses as a percentage of total loans and leases was 1.60% at December 31, 2008 and 1.57% at December 31, 2007.

Table 8. Allowance for Loan and Lease Losses

| <i>(Dollars in thousands)</i> | 2008 | 2007 | 2006 | 2005 | 2004 |
|--|-----------|-----------|-----------|-----------|-----------|
| Balance at January 1 | \$ 54,183 | \$ 50,587 | \$ 47,455 | \$ 44,932 | \$ 42,651 |
| Loans and leases charged-off | | | | | |
| Commercial and agricultural | 14,464 | 20,349 | 6,132 | 3,403 | 4,595 |
| Real estate mortgages | 543 | 1,032 | 542 | 741 | 772 |
| Consumer* | 11,985 | 9,862 | 6,698 | 6,875 | 6,239 |
| Total loans and leases charged-off | 26,992 | 31,243 | 13,372 | 11,019 | 11,606 |
| Recoveries | | | | | |
| Commercial and agricultural | 1,411 | 1,816 | 1,939 | 1,695 | 2,547 |
| Real estate mortgages | 68 | 125 | 239 | 438 | 215 |
| Consumer* | 2,713 | 2,804 | 2,521 | 1,945 | 1,510 |
| Total recoveries | 4,192 | 4,745 | 4,699 | 4,078 | 4,272 |
| Net loans and leases charged-off | 22,800 | 26,498 | 8,673 | 6,941 | 7,334 |
| Allowance related to purchase acquisitions | - | - | 2,410 | - | - |
| Provision for loan and lease losses | 27,181 | 30,094 | 9,395 | 9,464 | 9,615 |
| Balance at December 31 | \$ 58,564 | \$ 54,183 | \$ 50,587 | \$ 47,455 | \$ 44,932 |
| Allowance for loan and lease losses to loans and leases outstanding at end of year | 1.60% | 1.57% | 1.48% | 1.57% | 1.57% |
| Net charge-offs to average loans and leases outstanding | 0.64% | 0.77% | 0.26% | 0.23% | 0.27% |

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

Total nonperforming assets were \$31.1 million at December 31, 2007, compared to \$15.7 million at December 31, 2006. Nonperforming loans totaled \$30.6 million at December 31, 2007, up from the \$15.3 million outstanding at December 31, 2006. The increase in 2007 was primarily due to one owner-occupied commercial real estate relationship and several dairy credits becoming nonperforming during the second quarter, as well as one large commercial loan becoming nonperforming during the fourth quarter. The Company recorded a provision for loan and lease losses of \$30.1 million during 2007 compared with \$9.4 million for 2006. This increase was due to an increase in nonperforming loans and charge-offs during the period. Nonperforming loans as a percentage of total loans and leases increased to 0.88% for December 31, 2007 from 0.45% at December 31, 2006. The total allowance for loan and lease losses was 177.19% of non-performing loans at December 31, 2007 as compared to 330.48% at December 31, 2006.

Total net charge-offs for 2007 totaled \$26.5 million as compared to \$8.7 million for 2006. The ratio of net charge-offs to average loans and leases was 0.77% for 2007 compared to 0.26% for 2006. Gross charge-offs increased \$17.8 million, totaling \$31.2 million for 2007 compared to \$13.4 million for 2006. Recoveries remained consistent at \$4.7 million for 2006 and 2007. The provision for loan and lease losses increased to \$30.1 million in 2007 from \$9.4 million in 2006. The allowance for loan and lease losses as a percentage of total loans and leases was 1.57% at December 31, 2007 and 1.48% at December 31, 2006.

In addition to the nonperforming loans discussed above, the Company has also identified approximately \$95.4 million in potential problem loans at December 31, 2008 as compared to \$73.3 million at December 31, 2007. Potential problem loans are loans that are currently performing, but where known information about possible credit problems of the related borrowers causes management to have concerns as to the ability of such borrowers to comply with the present loan repayment terms and which may result in disclosure of such loans as nonperforming at some time in the future. At the Company, potential problem loans are typically loans that are performing but are classified by the Company's loan rating system as "substandard." At December 31, 2008 and 2007, potential problem loans primarily consisted of commercial and agricultural loans. At December 31, 2008, there were 21 potential problem loans that exceeded \$1.0 million, totaling \$41.2 million in aggregate compared to 13 potential problem loans exceeding \$1.0 million, totaling \$28.5 million at December 31, 2007. Management cannot predict the extent to which economic conditions may worsen or other factors which may impact borrowers and the potential problem loans. Accordingly, there can be no assurance that other loans will not become 90 days or more past due, be placed on nonaccrual, become restructured, or require increased allowance coverage and provision for loan losses.

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

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

| | December 31, | | | | | | | | | |
|-----------------------------|--------------|---------------------------|-----------|---------------------------|-----------|---------------------------|-----------|---------------------------|-----------|---------------------------|
| | 2008 | | 2007 | | 2006 | | 2005 | | 2004 | |
| (Dollars in thousands) | Allowance | Category Percent of Loans | Allowance | Category Percent of Loans | Allowance | Category Percent of Loans | Allowance | Category Percent of Loans | Allowance | Category Percent of Loans |
| Commercial and agricultural | \$ 33,231 | 39% | \$ 32,811 | 41% | \$ 28,149 | 43% | \$ 30,257 | 43% | \$ 28,158 | 44% |
| Real estate mortgages | 3,143 | 20% | 3,277 | 21% | 3,377 | 22% | 3,148 | 23% | 4,029 | 25% |
| Consumer | 21,908 | 41% | 17,362 | 38% | 17,327 | 35% | 12,402 | 34% | 10,887 | 31% |
| Unallocated | 282 | 0% | 733 | 0% | 1,734 | 0% | 1,648 | 0% | 1,858 | 0% |
| Total | \$ 58,564 | 100% | \$ 54,183 | 100% | \$ 50,587 | 100% | \$ 47,455 | 100% | \$ 44,932 | 100% |

For 2008, the reserve allocation for commercial and agricultural loans increased slightly to \$33.2 million from \$32.8 million in 2007. The reserve allocation for real estate mortgages decreased slightly from \$3.3 million in 2007 to \$3.1 million in 2008. The reserve allocation for consumer loans increased from \$17.4 million in 2007 to \$21.9 million in 2008. This 26.2% increase was due in large part to the 13.7% increase in consumer loans from 2007 to 2008.

At December 31, 2008, approximately 59.8% of the Company’s loans are secured by real estate located in central and northern New York and northeastern Pennsylvania. Accordingly, the ultimate collectibility of a substantial portion of the Company’s portfolio is susceptible to changes in market conditions of those areas. Management is not aware of any material concentrations of credit to any industry or individual borrowers.

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 OTS 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, 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.

LIQUIDITY

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

The primary liquidity measurement the Company utilizes is called Basic Surplus which captures the adequacy of its access to reliable sources of cash relative to the stability of its funding mix of average liabilities. This approach recognizes the importance of balancing levels of cash flow liquidity from short and long-term securities with the availability of dependable borrowing sources which can be accessed when necessary. At December 31, 2008, the Company's Basic Surplus measurement was 6.6% of total assets or \$352 million, which was above the Company's minimum of 5% (calculated at \$267 million of period end total assets at December 31, 2008) set forth in its liquidity policies.

This Basic Surplus approach enables the Company to adequately manage liquidity from both operational and contingency perspectives. By tempering the need for cash flow liquidity with reliable borrowing facilities, the Company is able to operate with a more fully invested and, therefore, higher interest income generating, securities portfolio. The makeup and term structure of the securities portfolio is, in part, impacted by the overall interest rate sensitivity of the balance sheet. Investment decisions and deposit pricing strategies are impacted by the liquidity position. At December 31, 2008, the Company considered its Basic Surplus position to be adequate. However, certain events may adversely impact the Company's liquidity position in 2009. Improvement in the economy may increase demand for equity related products or increase competitive pressure on deposit pricing, which in turn, could result in a decrease in the Company's deposit base or increase funding costs. Additionally, liquidity will come under additional pressure if loan growth exceeds deposit growth in 2009. These scenarios could lead to a decrease in the Company's basic surplus measure below the minimum policy level of 5%. To manage this risk, the Company has the ability to purchase brokered time deposits, borrow against established borrowing facilities with other banks (Federal funds), and enter into repurchase agreements with investment companies. The additional liquidity that could be provided by these measures was \$771 million at December 31, 2008.

At December 31, 2008, a portion of the Company's loans and securities were pledged as collateral on borrowings. Therefore, future growth of earning assets will depend upon the Company's ability to obtain additional funding, through growth of core deposits and collateral management, and may require further use of brokered time deposits, or other higher cost borrowing arrangements.

Net cash flows provided by operating activities totaled \$87.4 million in 2008 and \$85.8 million in 2007. The critical elements of net operating cash flows include net income, after adding back provision for loan and lease losses, and depreciation and amortization.

Net cash used in investing activities totaled \$216.6 million in 2008 and \$97.6 million in 2007. Critical elements of investing activities are loan and investment securities transactions. The increase in cash used in investing activities in 2008 was primarily due to loan growth in 2008 as compared with 2007. The net increase in loans was \$220.7 million in 2008 as compared to \$70.1 million in 2007.

Net cash flows provided by financing activities totaled \$76.6 million in 2008 and \$36.0 million in 2007. The critical elements of financing activities are proceeds from deposits, borrowings, and stock issuances. In addition, financing activities are impacted by dividends and treasury stock transactions. In 2008, the Company had a net decrease in short term borrowings of approximately \$162.0 million as compared with a net increase in short-term borrowings of \$23.1 million in 2007. This decrease in short-term borrowings in 2008 was offset by an increase from proceeds from long-term debt in 2008 over 2007. Proceeds from the issuance of long-term debt totaled \$340.0 million in 2008 and \$150.0 million in 2007. In addition, the Company purchased 272,840 shares of its common stock for approximately \$5.9 million during 2008 as compared with the purchase of 2,261,267 shares of its common stock for approximately \$49.0 million in 2007.

In connection with its financing and operating activities, the Company has entered into certain contractual obligations. The Company's future minimum cash payments, excluding interest, associated with its contractual obligations pursuant to its borrowing agreements and operating leases at December 31, 2008 are as follows:

Contractual Obligations

(In thousands)

| | <i>Payments Due by Period</i> | | | | | | |
|-------------------------------|-------------------------------|-----------|-----------|-----------|------------|------------|------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | Thereafter | Total |
| Long-term debt obligations | \$ 40,000 | \$ 79,000 | \$ 89,444 | \$ 25,025 | \$ 150,000 | \$ 248,740 | \$ 632,209 |
| Trust preferred debentures | - | - | - | - | - | 75,422 | 75,422 |
| Operating lease obligations | 4,226 | 3,677 | 3,440 | 3,025 | 2,343 | 19,555 | 36,266 |
| Retirement plan obligations | 4,566 | 4,619 | 4,637 | 4,728 | 4,864 | 37,000 | 60,414 |
| Data processing commitments | 10,294 | 9,569 | 1,037 | 259 | - | - | 21,159 |
| Total contractual obligations | \$ 59,086 | \$ 96,865 | \$ 98,558 | \$ 33,037 | \$ 157,207 | \$ 380,717 | \$ 825,470 |

OFF-BALANCE SHEET RISK COMMITMENTS TO EXTEND CREDIT

The Company makes contractual commitments to extend credit, which include unused lines of credit, which are subject to the Company's credit approval and monitoring procedures. At December 31, 2008 and 2007, commitments to extend credit in the form of loans, including unused lines of credit, amounted to \$537.6 million and \$546.8 million, respectively. In the opinion of management, there are no material commitments to extend credit, including unused lines of credit, that represent unusual risks. All commitments to extend credit in the form of loans, including unused lines of credit, expire within one year.

STAND-BY LETTERS OF CREDIT

The Company does not issue any guarantees that would require liability-recognition or disclosure, other than its stand-by letters of credit. The Company guarantees the obligations or performance of customers by issuing stand-by letters of credit to third parties. These stand-by letters of credit are frequently issued in support of third party debt, such as corporate debt issuances, industrial revenue bonds, and municipal securities. The risk involved in issuing stand-by letters of credit is essentially the same as the credit risk involved in extending loan facilities to customers, and they are subject to the same credit origination, portfolio maintenance and management procedures in effect to monitor other credit and off-balance sheet products. Typically, these instruments have terms of five years or less and expire unused; therefore, the total amounts do not necessarily represent future cash requirements. At December 31, 2008 and 2007, outstanding stand-by letters of credit were approximately \$27.6 million and \$27.5 million, respectively. The fair value of the Company's stand-by letters of credit at December 31, 2008 and 2007 was not significant. The following table sets forth the commitment expiration period for stand-by letters of credit at December 31, 2008:

Commitment Expiration of Stand-by Letters of Credit

| | | |
|-----------------------------------|----|--------|
| Within one year | \$ | 11,601 |
| After one but within three years | | 14,795 |
| After three but within five years | | 1,235 |
| After five years | | - |
| Total | \$ | 27,631 |

LOANS SERVICED FOR OTHERS AND LOANS SOLD WITH RECOURSE

The total amount of loans serviced by the Company for unrelated third parties was approximately \$141.4 million and \$125.5 million at December 31, 2008 and 2007, respectively. At December 31, 2008 and 2007, the Company serviced \$11.2 million and \$8.9 million, respectively, of loans sold with recourse. Due to collateral on these loans, no reserve is considered necessary at December 31, 2008 and 2007.

CAPITAL RESOURCES

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

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

The Bank also is subject to substantial regulatory restrictions on its ability to pay dividends to the Company. Under OCC regulations, the Bank may not pay a dividend, without prior OCC approval, if the total amount of all dividends declared during the calendar year, including the proposed dividend, exceeds the sum of its retained net income to date during the calendar year and its retained net income over the preceding two years. At December 31, 2008, approximately \$46.6 million of the total stockholders’ equity of the Bank was available for payment of dividends to the Company without approval by the OCC. The Bank’s ability to pay dividends also is subject to the Bank being in compliance with regulatory capital requirements. The Bank is currently in compliance with these requirements.

STOCK REPURCHASE PLAN

Under previously disclosed stock repurchase plans, the Company purchased 272,840 shares of its common stock during the year ended December 31, 2008, for a total of \$5.9 million at an average price of \$21.77 per share. There were no shares purchased during the three month period ended December 31, 2008. At December 31, 2008, there were 1,203,040 shares available for repurchase under previously announced plans.

NONINTEREST INCOME

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

| <i>(In thousands)</i> | Years ended December 31, | | |
|--|--------------------------|-----------|-----------|
| | 2008 | 2007 | 2006 |
| Service charges on deposit accounts | \$ 28,143 | \$ 22,742 | \$ 17,590 |
| Broker/dealer and insurance revenue | 8,726 | 4,255 | 3,936 |
| Trust | 7,278 | 6,514 | 5,629 |
| Bank owned life insurance income | 2,416 | 1,831 | 1,629 |
| ATM fees | 8,832 | 8,185 | 7,086 |
| Retirement plan administration fees | 6,308 | 6,336 | 5,536 |
| Other | 8,468 | 7,723 | 8,098 |
| Total before net securities gains (losses) | 70,171 | 57,586 | 49,504 |
| Net securities gains (losses) | 1,535 | 2,113 | (875) |
| Total | \$ 71,706 | \$ 59,699 | \$ 48,629 |

Noninterest income for the year ended December 31, 2008 was \$71.7 million, up \$12.0 million or 20.1% from \$59.7 million for the same period in 2007. The increase in noninterest income was due primarily to an increase in service charges on deposit accounts and ATM and debit card fees, which collectively increased \$6.0 million due to various initiatives in 2008. In addition, trust administration income increased \$0.8 million for the year ended December 31, 2008, compared with the same period in 2007. This increase stems primarily from an increase in customer accounts resulting from successful business development. Broker/dealer and insurance revenue increased approximately \$4.5 million for the year ended December 31, 2008, primarily due to the acquisition of Mang Insurance Agency, LLC during the third quarter of 2008. Other noninterest income increased \$0.7 million for the year ended December 31, 2008, compared with the same period in 2007. This increase was due primarily to a death benefit realized during the fourth quarter of 2008 from a life insurance policy. Net securities gains for the year ending December 31, 2008 were \$1.5 million, compared with \$2.1 million for the year ending December 31, 2007. Excluding the effects of these securities transactions, noninterest income increased \$12.6 million, or 21.9%, for the years ended December 31, 2008, compared with 2007.

NONINTEREST EXPENSE

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

| <i>(In thousands)</i> | Years ended December 31, | | |
|---|--------------------------|------------|------------|
| | 2008 | 2007 | 2006 |
| Salaries and employee benefits | \$ 71,159 | \$ 59,516 | \$ 62,877 |
| Occupancy | 13,781 | 11,630 | 11,518 |
| Equipment | 7,539 | 7,422 | 8,332 |
| Data processing and communications | 12,694 | 11,400 | 10,454 |
| Professional fees and outside services | 10,476 | 9,135 | 7,761 |
| Office supplies and postage | 5,346 | 5,120 | 5,330 |
| Amortization of intangible assets | 2,105 | 1,645 | 1,649 |
| Loan collection and other real estate owned | 2,494 | 1,633 | 1,351 |
| Impairment on lease residual assets | 2,000 | - | - |
| Other | 19,219 | 15,016 | 13,694 |
| Total noninterest expense | \$ 146,813 | \$ 122,517 | \$ 122,966 |

Noninterest expense for the year ended December 31, 2008 was \$146.8 million, up from \$122.5 million for the same period in 2007. Salaries and employee benefits increased \$11.6 million, or 19.6%, for the year ended December 31, 2008, compared with the same period in 2007. This increase was due primarily to increases in full time equivalent employees during 2008 and reduced levels of incentive compensation in 2007 compared with 2008. The increase in full time equivalent employees was largely due to new branch activity and the aforementioned acquisition. Occupancy, equipment and data processing and communications expenses were \$34.0 million for the year ended December 31, 2008, up \$3.5 million, or 11.7%, from \$30.5 million for the year ended December 31, 2007. This increase was due primarily to an increase in expenses related to new branch activity during the past year. Professional fees and outside services increased \$1.3 million for the year ended December 31, 2008, compared with the same period in 2007, due primarily to increases in legal and audit fees incurred in 2008, as well as increases in fees related to the aforementioned noninterest income initiatives. Loan collection and other real estate owned expenses were \$2.5 million for the year ended December 31, 2008, up from \$1.6 million for same period in 2007. The Company recorded an other than temporary impairment charge on lease residual assets totaling \$2.0 million during the third quarter of 2008 as a result of declines in the fair value of lease residual assets associated with certain leased vehicles. Other operating expenses were \$19.2 million for the year ended December 31, 2008, up \$4.2 million from \$15.0 million for the year ended December 31, 2007. This increase resulted primarily from losses incurred from sales of certain returned lease vehicles totaling approximately \$1.4 million during the period due to reduced values of those vehicles. In addition, Federal Deposit Insurance Corporation ("FDIC") insurance premiums increased approximately \$1.4 million for the year ended December 31, 2008, compared with the same period in 2007.

INCOME TAXES

Income tax expense for the year ended December 31, 2008 was \$25.4 million, up from \$21.8 million for the same period in 2007. The effective rates were 30.3% and 30.2% for the years ended December 31, 2008 and 2007, respectively.

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

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

2007 OPERATING RESULTS AS COMPARED TO 2006 OPERATING RESULTS

NET INTEREST INCOME

On a tax equivalent basis, the Company's net interest income for 2007 was \$171.3 million, up from \$169.3 million for 2006. The Company's net interest margin declined to 3.61% for 2007 from 3.70% for 2006. The decline in the net interest margin resulted primarily from interest-bearing liabilities repricing up faster than earning assets, offset somewhat by the increase in average demand deposits, which increased \$25.4 million or 4.1% during the period. Earning assets, particularly those tied to a fixed rate, have not fully realized the benefit of the higher interest rate environment, since rates for earning assets with terms three years or longer have remained relatively flat during this period due to the flat/inverted yield curve. The yield on earning assets increased 15 basis points (bp), from 6.43% for 2006 to 6.58% for 2007. Meanwhile, the rate paid on interest bearing liabilities increased 29 bp, from 3.23% for 2006 to 3.52% for 2007. Additionally, offsetting the decline in net interest margin was an increase in average earning assets of \$171.4 million or 3.7%, driven primarily by a \$123.2 million increase in average loans and leases. The increase in average loans and leases was due to in large part to a 17.1% increase in consumer installment loans.

LOANS AND LEASES AND CORRESPONDING INTEREST AND FEES ON LOANS

The average balance of loans and leases increased 3.7%, totaling \$3.4 billion in 2007 compared to \$3.3 billion in 2006. The yield on average loans and leases increased from 6.99% in 2006 to 7.10% in 2007, as loans, particularly loans indexed to the Prime Rate and other short-term variable rate indices, benefited from the rising rate environment in 2007. Interest income from loans and leases on a FTE basis increased 5.4%, from \$230.8 million in 2006 to \$243.3 million in 2007. The increase in interest income from loans and leases was due to the increase in the average balance of loans and leases as well as the increase in yield on loans and leases in 2007 compared to 2006 noted above.

Total loans and leases increased 1.3% at December 31, 2007, totaling \$3.5 billion from \$3.4 billion at December 31, 2006. The increase in loans and leases was driven by strong growth in consumer loans and home equity loans. Residential real estate mortgages decreased \$20.4 million or 2.8% at December 31, 2007 compared to December 31, 2006. Commercial and commercial real estate decreased \$25.5 million at December 31, 2007 when compared to December 31, 2006. Real estate construction and development loans decreased \$13.1 million, or 13.9%, from \$94.5 million at December 31, 2006 to \$81.4 million at December 31, 2007. Consumer loans increased \$68.5 million or 11.7%, from \$586.9 million at December 31, 2006 to \$655.4 million at December 31, 2007. The increase in consumer loans was driven primarily by an increase in indirect loans of \$63.3 million, from \$457.4 million in 2006 to \$520.7 million in 2007. Home equity loans increased \$36.0 million or 6.6% from \$546.7 million at December 31, 2006 to \$582.7 million at December 31, 2007. The increase in home equity loans was due to strong product demand and successful marketing of home equity products.

SECURITIES AND CORRESPONDING INTEREST AND DIVIDEND INCOME

The average balance of the amortized cost for securities available for sale increased \$24.4 million, or 2.2%, from \$1.1 billion in 2006. The yield on average securities available for sale was 5.05% for 2007 compared to 4.86% in 2006. The increase in yield on securities available for sale resulted from the increasing rate environment.

The average balance of securities held to maturity increased from \$115.6 million in 2006 to \$144.5 million in 2007. At December 31, 2007, securities held to maturity were comprised primarily of tax-exempt municipal securities. The yield on securities held to maturity increased from 6.11% in 2006 to 6.16% in 2007 from higher yields for tax-exempt securities purchased during 2007. Investments in FRB and FHLB stock decreased to \$34.0 million in 2007 from \$39.4 million in 2006. This decrease was driven primarily by a decrease in the investment in FHLB resulting from a decrease in the Company's borrowing capacity at FHLB. The yield from investments in FRB and FHLB Banks increased from 5.26% in 2006 to 7.22% in 2007.

DEPOSITS

Average interest bearing deposits increased \$219.3 million during 2007 compared to 2006. The increase resulted primarily from increases in time deposits and money market deposits, partially offset by a decrease in savings deposits. Average time deposits increased \$140.6 million or 9.2% during 2007 when compared to 2006. The increase in average time deposits resulted primarily from increases in municipal and negotiated rate time deposits. Average money market deposits increased \$120.2 million or 22.1% during 2007 when compared to 2006. The increase in average money market deposits resulted primarily from an increase in personal money market deposits. While the average balance of NOW accounts remained relatively stable, the average balance of savings accounts decreased \$47.2 million or 8.9% during 2007 when compared to 2006. The decrease in savings accounts was driven primarily from municipal customers shifting their funds into higher paying money market and time deposits in 2007. The average balance of demand deposits increased \$25.4 million, or 4.1%, from \$614.1 million in 2006 to \$639.4 million in 2007. Solid growth in demand deposits was driven principally by increases in accounts from retail customers.

The rate paid on average interest-bearing deposits increased from 2.87% during 2006 to 3.26% in 2007. The increase in rate on interest-bearing deposits was driven primarily by pricing increases from money market accounts and time deposits. These deposit products are more sensitive to interest rate changes. The pricing increases for these products resulted from increases in short-term rates by the FRB during 2006 combined with competitive pricing from market competitors. The increases by the FRB in 2006 were partially offset by several rate decreases toward the end of 2007. The rates paid for NOW accounts increased from 0.74% in 2006 to 0.84% in 2007, while rates paid for savings deposits increased from 0.86% in 2006 to 0.89% in 2007.

BORROWINGS

Average short-term borrowings decreased \$51.1 million to \$280.2 million in 2007. The average rate paid on short-term borrowings decreased from 4.66% in 2006 to 4.62% in 2007, which was primarily driven by the Federal Reserve Bank decreasing the Fed Funds target rate (which directly impacts short-term borrowing rates) 100 bp in 2007. Average long-term debt decreased from \$415.0 million in 2006 to \$384.0 million in 2007.

NONINTEREST INCOME

Noninterest income for the year ended December 31, 2007 was \$59.7 million, up \$11.1 million or 22.8% from \$48.6 million for the same period in 2006. Fees from service charges on deposit accounts and ATM and debit cards collectively increased \$6.3 million as the Company focused on enhancing fee income through various initiatives. Retirement plan administration fees for the year ended December 31, 2007 increased \$0.8 million, compared with the same period in 2006, as a result of our growing client base. Trust administration income increased \$0.9 million for the year ended December 31, 2007, compared with the same period in 2006. This increase stems from market appreciation of existing accounts and an increase in customer accounts resulting from successful business. Net securities gains for the year ended December 31, 2007 were \$2.1 million, compared with net securities losses of \$0.9 million for the year ended December 31, 2006. Excluding the effect of these securities transactions, noninterest income increased \$8.1 million, or 16.3%, for the year ended December 31, 2007, compared with the same period in 2006.

NONINTEREST EXPENSE

Noninterest expense for the year ended December 31, 2007 was \$122.5 million, down slightly from \$123.0 million for the same period in 2006. Office expenses, such as supplies and postage, occupancy, equipment and data processing and communications charges remained consistent at approximately \$35.6 million for the years ended December 31, 2007 and December 31, 2006. Salaries and employee benefits decreased \$3.4 million, or 5.3%, for the year ended December 31, 2007 compared with the same period in 2006. This decrease was due primarily to a reduction in the amount of incentive compensation paid, number of employees, and pension expenses incurred in 2007. Professional fees and outside services increased \$1.4 million for the year ended December 31, 2007, compared with the same period in 2006, due primarily to fees and costs related to the aforementioned noninterest income initiatives. Other operating expense for the year ended December 31, 2007 increased \$1.3 million compared with the same period in 2006, primarily due to flood-related insurance recoveries in 2006.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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

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

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

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

The primary tool utilized by ALCO to manage interest rate risk is a balance sheet/income statement simulation model (interest rate sensitivity analysis). Information such as principal balance, interest rate, maturity date, cash flows, next repricing date (if needed), and current rates is uploaded into the model to create an ending balance sheet. In addition, ALCO makes certain assumptions regarding prepayment speeds for loans and leases and mortgage related investment securities along with any optionality within the deposits and borrowings. The model is first run under an assumption of a flat rate scenario (i.e. no change in current interest rates) with a static balance sheet over a 12-month period. Two additional models are run in which a gradual increase of 200 bp and a gradual decrease of 100 bp takes place over a 12 month period with a static balance sheet. Under these scenarios, assets subject to prepayments are adjusted to account for faster or slower prepayment assumptions. Any investment securities or borrowings that have callable options embedded into them are handled accordingly based on the interest rate scenario. The resultant changes in net interest income are then measured against the flat rate scenario.

In the declining rate scenario, net interest income is projected to decrease slightly 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, given potential higher prepayments and lower reinvestment rates, slightly faster than the interest bearing liabilities that are at or near their floors. In the rising rate scenarios, net interest income is projected to experience a decline from the flat rate scenario. The potential impact on earnings is dependent on the ability to lag deposit repricing. Net interest income for the next twelve months in the +200/-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 December 31, 2008 balance sheet position:

Table 10. Interest Rate Sensitivity Analysis

| Change in interest rates | Percent change in net interest income |
|--------------------------|---|
| <i>(In basis points)</i> | |
| +200 | (1.20%) |
| -100 | (0.78%) |

Under the flat rate scenario with a static balance sheet, net interest income is anticipated to remain roughly the same as total net interest income for 2008. The Company anticipates that under the current low rate environment, on a monthly basis, interest income is expected to decrease at a faster rate than interest expense given the potential higher prepayments and reinvestment into lower rates as deposit rates are at or near their respective floors. In order to protect net interest income from anticipated net interest margin compression, the Company will continue to focus on increasing earning assets through loan growth and leverage opportunities. However, if the Company cannot maintain the level of earning assets at December 31, 2008, the Company would expect net interest income to decline in 2009.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
NBT Bancorp Inc.:

We have audited the accompanying consolidated balance sheets of NBT Bancorp Inc. and subsidiaries (the Company) as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in stockholders' equity, cash flows and comprehensive income for each of the years in the three-year period ended December 31, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NBT Bancorp Inc. and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 27, 2009 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/S/ KPMG LLP

Albany, New York
February 27, 2009

Consolidated Balance Sheets

| (In thousands, except share and per share data) | As of December 31, | |
|--|--------------------|--------------|
| | 2008 | 2007 |
| Assets | | |
| Cash and due from banks | \$ 107,409 | \$ 155,495 |
| Short-term interest bearing accounts | 2,987 | 7,451 |
| Securities available for sale, at fair value | 1,119,665 | 1,132,230 |
| Securities held to maturity (fair value \$141,308 and \$149,519) | 140,209 | 149,111 |
| Federal Reserve and Federal Home Loan Bank stock | 39,045 | 38,102 |
| Loans and leases | 3,651,911 | 3,455,851 |
| Less allowance for loan and lease losses | 58,564 | 54,183 |
| Net loans and leases | 3,593,347 | 3,401,668 |
| Premises and equipment, net | 65,241 | 64,042 |
| Goodwill | 114,838 | 103,398 |
| Intangible assets, net | 23,367 | 10,173 |
| Bank owned life insurance | 46,030 | 43,614 |
| Other assets | 83,950 | 96,492 |
| Total assets | \$ 5,336,088 | \$ 5,201,776 |
| Liabilities | | |
| Demand (noninterest bearing) | \$ 685,495 | \$ 666,698 |
| Savings, NOW, and money market | 1,885,551 | 1,614,289 |
| Time | 1,352,212 | 1,591,106 |
| Total deposits | 3,923,258 | 3,872,093 |
| Short-term borrowings | 206,492 | 368,467 |
| Long-term debt | 632,209 | 424,887 |
| Trust preferred debentures | 75,422 | 75,422 |
| Other liabilities | 66,862 | 63,607 |
| Total liabilities | 4,904,243 | 4,804,476 |
| Stockholders' equity | | |
| Preferred stock, \$0.01 par value; authorized 2,500,000 shares at December 31, 2008 and 2007 | - | - |
| Common stock, \$0.01 par value. Authorized 50,000,000 shares at December 31, 2008 and 2007; issued 36,459,344 and 36,459,421 at December 31, 2008 and 2007, respectively | 365 | 365 |
| Additional paid-in-capital | 276,418 | 273,275 |
| Retained earnings | 245,340 | 215,031 |
| Accumulated other comprehensive loss | (8,204) | (3,575) |
| Common stock in treasury, at cost, 3,853,548 and 4,133,328 shares at December 31, 2008 and 2007, respectively | (82,074) | (87,796) |
| Total stockholders' equity | 431,845 | 397,300 |
| Total liabilities and stockholders' equity | \$ 5,336,088 | \$ 5,201,776 |

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

| (In thousands, except per share data) | Years ended December 31, | | |
|---|--------------------------|------------|------------|
| | 2008 | 2007 | 2006 |
| Interest, fee, and dividend income | | | |
| Interest and fees on loans and leases | \$ 232,155 | \$ 242,497 | \$ 230,042 |
| Securities available for sale | 54,048 | 54,847 | 51,599 |
| Securities held to maturity | 5,588 | 5,898 | 4,730 |
| Other | 2,623 | 2,875 | 2,471 |
| Total interest, fee, and dividend income | 294,414 | 306,117 | 288,842 |
| Interest expense | | | |
| Deposits | 76,132 | 106,574 | 87,798 |
| Short-term borrowings | 4,847 | 12,943 | 15,448 |
| Long-term debt | 22,642 | 16,486 | 17,063 |
| Trust preferred debentures | 4,747 | 5,087 | 4,700 |
| Total interest expense | 108,368 | 141,090 | 125,009 |
| Net interest income | 186,046 | 165,027 | 163,833 |
| Provision for loan and lease losses | 27,181 | 30,094 | 9,395 |
| Net interest income after provision for loan and lease losses | 158,865 | 134,933 | 154,438 |
| Noninterest income | | | |
| Service charges on deposit accounts | 28,143 | 22,742 | 17,590 |
| Broker/dealer and insurance revenue | 8,726 | 4,255 | 3,936 |
| Trust | 7,278 | 6,514 | 5,629 |
| Net securities gains (losses) | 1,535 | 2,113 | (875) |
| Bank owned life insurance | 2,416 | 1,831 | 1,629 |
| ATM and debit card fees | 8,832 | 8,185 | 7,086 |
| Retirement plan administration fees | 6,308 | 6,336 | 5,536 |
| Other | 8,468 | 7,723 | 8,098 |
| Total noninterest income | 71,706 | 59,699 | 48,629 |
| Noninterest expense | | | |
| Salaries and employee benefits | 71,159 | 59,516 | 62,877 |
| Occupancy | 13,781 | 11,630 | 11,518 |
| Equipment | 7,539 | 7,422 | 8,332 |
| Data processing and communications | 12,694 | 11,400 | 10,454 |
| Professional fees and outside services | 10,476 | 9,135 | 7,761 |
| Office supplies and postage | 5,346 | 5,120 | 5,330 |
| Amortization of intangible assets | 2,105 | 1,645 | 1,649 |
| Loan collection and other real estate owned | 2,494 | 1,633 | 1,351 |
| Impairment on lease residual assets | 2,000 | - | - |
| Other | 19,219 | 15,016 | 13,694 |
| Total noninterest expense | 146,813 | 122,517 | 122,966 |
| Income before income tax expense | 83,758 | 72,115 | 80,101 |
| Income tax expense | 25,405 | 21,787 | 24,154 |
| Net income | \$ 58,353 | \$ 50,328 | \$ 55,947 |
| Earnings per share | | | |
| Basic | \$ 1.81 | \$ 1.52 | \$ 1.65 |
| Diluted | 1.80 | 1.51 | 1.64 |

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity

| Years ended December 31, 2008, 2007, and 2006 (In thousands except share and per share data) | Common stock | Additional paid-in- capital | Retained earnings | Unvested restricted Stock | Accumulated other comprehensive loss | Common stock in treasury | Total |
|---|-----------------|-----------------------------------|----------------------|---------------------------------|---|--------------------------------|-------------------|
| Balance at December 31, 2005 | \$ 344 | \$ 219,157 | \$ 163,989 | \$ (457) | \$ (6,477) | \$ (42,613) | \$ 333,943 |
| Net income | - | - | 55,947 | - | - | - | 55,947 |
| Cash dividends- \$0.76 per share | - | - | (26,018) | - | - | - | (26,018) |
| Purchase of 766,004 treasury shares | - | - | - | - | - | (17,111) | (17,111) |
| Issuance of 2,058,661 shares of common stock in connection with purchase business combination | 21 | 48,604 | - | - | - | - | 48,625 |
| Issuance of 237,278 incentive stock options in purchase transaction | - | 1,955 | - | - | - | - | 1,955 |
| Acquisition of 2,500 shares of company stock in purchase transaction | - | - | - | - | - | (55) | (55) |
| Net issuance of 595,447 shares to employee benefit plans and other stock plans, including excess tax benefit | - | 1,244 | (2,148) | - | - | 12,508 | 11,604 |
| Reclassification adjustment from the adoption of FAS123R | - | (457) | - | 457 | - | - | - |
| Stock-based compensation expense | - | 2,509 | - | - | - | - | 2,509 |
| Net issuance of 73,515 shares of restricted stock awards | - | (1,499) | - | - | - | 1,499 | - |
| Forfeiture of 2,625 shares of restricted stock | - | 15 | - | - | - | (60) | (45) |
| Other comprehensive income | - | - | - | - | 84 | - | 84 |
| Adjustment to initially apply SFAS No. 158, net of tax | - | - | - | - | (7,621) | - | (7,621) |
| Balance at December 31, 2006 | \$ 365 | \$ 271,528 | \$ 191,770 | \$ - | \$ (14,014) | \$ (45,832) | \$ 403,817 |
| Net income | - | - | 50,328 | - | - | - | 50,328 |
| Cash dividends - \$0.79 per share | - | - | (26,226) | - | - | - | (26,226) |
| Purchase of 2,261,267 treasury shares | - | - | - | - | - | (48,957) | (48,957) |
| Net issuance of 254,929 shares to employee benefit plans and other stock plans, including excess tax benefit | - | 383 | (841) | - | - | 5,526 | 5,068 |
| Stock-based compensation | - | 2,831 | - | - | - | - | 2,831 |
| Net issuance of 76,559 shares of restricted stock awards | - | (1,467) | - | - | - | 1,467 | - |
| Other comprehensive income | - | - | - | - | 10,439 | - | 10,439 |
| 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 | - | - | 58,353 | - | - | - | 58,353 |
| Cash dividends - \$0.80 per share | - | - | (25,830) | - | - | - | (25,830) |
| Purchase of 272,840 treasury shares | - | - | - | - | - | (5,939) | (5,939) |
| Net issuance of 536,487 shares to employee benefit plans and other stock plans, including excess tax benefit | - | 1,406 | (696) | - | - | 11,249 | 11,959 |
| Stock-based compensation | - | 2,213 | - | - | - | - | 2,213 |
| Net issuance of 25,200 shares of restricted stock awards | - | (566) | - | - | - | 566 | - |
| Forfeiture of 9,067 shares of restricted stock | - | 90 | - | - | - | (154) | (64) |
| Other comprehensive loss | - | - | - | - | (4,629) | - | (4,629) |
| Balance at December 31, 2008 | \$ 365 | \$ 276,418 | \$ 245,340 | \$ - | \$ (8,204) | \$ (82,074) | \$ 431,845 |

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

| (In thousands) | Years ended December 31, | | |
|---|--------------------------|------------|------------|
| | 2008 | 2007 | 2006 |
| Operating activities | | | |
| Net income | \$ 58,353 | \$ 50,328 | \$ 55,947 |
| Adjustments to reconcile net income to net cash provided by operating activities | | | |
| Provision for loan and lease losses | 27,181 | 30,094 | 9,395 |
| Depreciation and amortization of premises and equipment | 5,220 | 5,295 | 6,074 |
| Net accretion on securities | 423 | 105 | 178 |
| Amortization of intangible assets | 2,105 | 1,645 | 1,649 |
| Stock based compensation | 2,213 | 2,831 | 2,509 |
| Bank owned life insurance income | (2,416) | (1,831) | (1,629) |
| Deferred income tax expense | 4,778 | 2,244 | 9,767 |
| Proceeds from sale of loans held for sale | 26,745 | 30,427 | 36,407 |
| Originations and purchases of loans held for sale | (27,760) | (31,086) | (33,601) |
| Net gains on sales of loans held for sale | (170) | (112) | (85) |
| Net security (gains) losses | (1,535) | (2,113) | 875 |
| Net gains on sales of other real estate owned | (230) | (442) | (374) |
| Impairment on lease residual assets | 2,000 | - | - |
| Net gain on sale of branch | - | - | (470) |
| Net decrease (increase) in other assets | 194 | (8,393) | (18,800) |
| Net (decrease) increase in other liabilities | (9,775) | 6,848 | (2,325) |
| Net cash provided by operating activities | 87,326 | 85,840 | 65,517 |
| Investing activities | | | |
| Net cash paid for sale of branch | - | - | (2,307) |
| Net cash used in CNB Bancorp, Inc. merger | - | - | (21,223) |
| Net cash used in Mang Insurance Agency, LLC acquisition | (26,233) | - | - |
| Securities available for sale: | | | |
| Proceeds from maturities, calls, and principal paydowns | 413,560 | 233,312 | 217,232 |
| Proceeds from sales | 6,800 | 55,758 | 42,292 |
| Purchases | (392,957) | (303,465) | (265,052) |
| Securities held to maturity: | | | |
| Proceeds from maturities, calls, and principal paydowns | 91,309 | 70,234 | 45,990 |
| Purchases | (82,525) | (83,186) | (80,485) |
| Net increase in loans | (220,700) | (70,061) | (211,280) |
| Net (increase) decrease in Federal Reserve and FHLB stock | (943) | 710 | 1,447 |
| Purchases of premises and equipment, net | (6,039) | (2,355) | (4,176) |
| Proceeds from sales of other real estate owned | 1,150 | 1,408 | 1,028 |
| Net cash used in investing activities | (216,578) | (97,645) | (276,534) |
| Financing activities | | | |
| Net increase in deposits | 51,165 | 75,855 | 307,033 |
| Net (decrease) increase in short-term borrowings | (161,975) | 23,059 | (99,569) |
| Proceeds from issuance of long-term debt | 340,027 | 150,000 | 95,000 |
| Repayments of long-term debt | (132,705) | (142,841) | (114,157) |
| Proceeds from the issuance of trust preferred debentures | - | - | 51,547 |
| Excess tax benefit from exercise of stock options | 1,406 | 715 | 466 |
| Proceeds from the issuance of shares to employee benefit plans and other stock plans | 10,553 | 4,353 | 10,131 |
| Purchases of treasury stock | (5,939) | (48,957) | (17,111) |
| Cash dividends and payments for fractional shares | (25,830) | (26,226) | (26,018) |
| Net cash provided by financing activities | 76,702 | 35,958 | 207,322 |
| Net (decrease) increase in cash and cash equivalents | (52,550) | 24,153 | (3,695) |
| Cash and cash equivalents at beginning of year | 162,946 | 138,793 | 142,488 |
| Cash and cash equivalents at end of year | \$ 110,396 | \$ 162,946 | \$ 138,793 |

Supplemental disclosure of cash flow information

| Cash paid during the year for: | 2008 | | 2007 | | 2006 |
|--|-------------|----------------|------|---------|------------|
| Interest | \$ | 113,597 | \$ | 138,791 | \$ 121,447 |
| Income taxes | | 17,081 | | 18,007 | 19,914 |
| Noncash investing activities: | | | | | |
| Loans transferred to other real estate owned | \$ | 1,025 | \$ | 1,137 | \$ 778 |
| Dispositions: | | | | | |
| Fair value of assets sold | \$ | - | \$ | - | \$ 3,453 |
| Fair value of liabilities transferred | | - | | - | 5,760 |
| Acquisitions: | | | | | |
| Fair value of assets acquired | \$ | 30,062 | \$ | - | \$ 422,097 |
| Goodwill and identifiable intangible assets recognized in purchase combination | | 27,107 | | - | 65,637 |
| Fair value of liabilities assumed | | 3,829 | | - | 360,648 |
| Fair value of equity issued in purchase combination | | - | | - | 50,525 |

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

| <i>(In thousands)</i> | As of December 31, | | |
|---|--------------------|-----------|-----------|
| | 2008 | 2007 | 2006 |
| Net income | \$ 58,353 | \$ 50,328 | \$ 55,947 |
| Other comprehensive (loss) income, net of tax | | | |
| Unrealized net holding gains (losses) arising during the year (pre-tax amounts of \$15,143, \$19,347, and \$(737)) | 9,138 | 11,618 | (442) |
| Reclassification adjustment for net (gains) losses related to securities available for sale included in net income (pre-tax amounts of \$(1,535), \$(2,113), and \$875) | (921) | (1,270) | 526 |
| Pension and other benefits: | | | |
| Amortization of prior service cost and actuarial gains (pre-tax amounts of \$378, \$481 and \$0) | 227 | 288 | - |
| Decrease in unrecognized actuarial amounts (pre-tax amounts of \$(21,087), \$(326) and \$0) | (13,073) | (197) | - |
| Total other comprehensive (loss) income | (4,629) | 10,439 | 84 |
| Comprehensive income | \$ 53,724 | \$ 60,767 | \$ 56,031 |

See accompanying notes to consolidated financial statements.

NBT BANCORP INC. AND SUBSIDIARIES:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Estimates associated with the allowance for loan 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, and other-than-temporary impairment on investments are particularly susceptible to material change in the near term. In connection with the determination of the allowance for loan and lease losses and the valuation of other real estate owned, management obtains appraisals for properties.

The following is a description of significant policies and practices:

CONSOLIDATION

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

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

SEGMENT REPORTING

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

CASH EQUIVALENTS

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

SECURITIES

The Company classifies its securities at date of purchase as either available for sale, held to maturity, or trading. Held to maturity debt securities are those that the Company has the ability and intent to hold until maturity. Held to maturity securities are stated at amortized cost. Securities bought and held for the purpose of selling in the near term are classified as trading. Trading securities are recorded at fair value, with net unrealized gains and losses recognized currently in income. Securities not classified as held to maturity or trading are classified as available for sale. 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. Transfers of securities between categories are recorded at fair value at the date of transfer. A decline in the fair value of any available for sale or held to maturity security below cost that is deemed other-than-temporary is charged to earnings resulting in the establishment of a new cost basis for the security. Securities with other-than-temporary impairment are generally placed on non-accrual status.

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

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

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

LOANS AND LEASES

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

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

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

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

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

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

ALLOWANCE FOR LOAN AND LEASE LOSSES

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

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

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

PREMISES AND EQUIPMENT

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

OTHER REAL ESTATE OWNED

Other real estate owned (OREO) consists of properties acquired through foreclosure or by acceptance of a deed in lieu of foreclosure. These assets are recorded at the lower of fair value of the asset acquired less estimated costs to sell or “cost” (defined as the fair value at initial foreclosure). At the time of foreclosure, or when foreclosure occurs in-substance, the excess, if any, of the loan over the fair market value of the assets received, less estimated selling costs, is charged to the allowance for loan 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 GAAP.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and intangible assets that have indefinite useful lives are not amortized, but are tested at least annually for impairment. Intangible assets that have finite useful lives continue to be amortized over their useful lives. Core deposit intangibles at the Company are generally amortized over 7 to 25 years using the straight-line methods for all periods presented. Covenants not to compete are amortized on a straight-line basis. Customer lists are amortized using an accelerated method.

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

TREASURY STOCK

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

INCOME TAXES

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

STOCK-BASED COMPENSATION

The fair value of stock-based awards is determined on the date of grant, and is recognized as compensation expense over the vesting period of the awards.

STANDBY LETTERS OF CREDIT

Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Under the standby letters of credit, the Company is required to make payments to the beneficiary of the letters of credit upon request by the beneficiary contingent upon the customer's failure to perform under the terms of the underlying contract with the beneficiary. Standby letters of credit typically have one year expirations with an option to renew upon annual review. The Company typically receives a fee for these transactions. The fair value of stand-by letters of credit is recorded upon inception.

LOAN SALES AND LOAN SERVICING

The Company originates and services residential mortgage loans for consumers and sells 15-year, 20-year and 30-year residential real estate mortgages in the secondary market, while retaining servicing rights on the sold loans. Loan sales are recorded when the sales are funded. Mortgage servicing rights are recorded at fair value upon sale of the loan.

REPURCHASE AGREEMENTS

Repurchase agreements are accounted for as secured financing transactions since the Company maintains effective control over the transferred securities and the transfer meets the other criteria for such accounting. Obligations to repurchase securities sold are reflected as a liability in the Consolidated Balance Sheets. The securities underlying the agreements are delivered to a custodial account for the benefit of the dealer or bank with whom each transaction is executed. The dealers or banks, who may sell, loan or otherwise dispose of such securities to other parties in the normal course of their operations, agree to resell to the Company the same securities at the maturities of the agreements.

EARNINGS PER SHARE

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

OTHER FINANCIAL INSTRUMENTS

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

COMPREHENSIVE INCOME

At the Company, comprehensive income represents net income plus other comprehensive income (loss), which consists primarily of the net change in unrealized gains or losses on securities available for sale for the period and changes in the funded status of employee benefit plans. Accumulated other comprehensive (loss) income represents the net unrealized gains or losses on securities available for sale and the previously unrecognized portion of the funded status of employee benefit plans, net of income taxes, as of the consolidated balance sheet dates.

PENSION COSTS

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

TRUST

Assets held by the Company in a fiduciary or agency capacity for its customers are not included in the accompanying consolidated balance sheets, since such assets are not assets of the Company. Trust income is recognized on the accrual method based on contractual rates applied to the balances of trust accounts.

FAIR VALUE MEASUREMENTS

The Company adopted Statement of Financial Accounting Standards (“SFAS”) No. 157, “Fair Value Measurements” (“SFAS No. 157”), effective January 1, 2008. SFAS No. 157 clarifies 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. Under SFAS No. 157, fair value measurements are not adjusted for transaction costs. SFAS No. 157 establishes a fair value hierarchy 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 under SFAS No. 157 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. As required by SFAS No. 157, 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.

In accordance with FASB Staff Position No. 157-2, *Effective Date of FASB Statement No. 157*, the Company has delayed the application of SFAS No. 157 for nonfinancial assets, such as goodwill and real property held for sale, and nonfinancial liabilities until January 1, 2009.

In October 2008, the FASB issued FASB Staff Position No. 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*. The FSP is effective October 10, 2008, and for prior periods for which financial statements have not been issued. Adoption did not have a material impact on the Company's financial position or results of operations.

RECENT ACCOUNTING PRONOUNCEMENTS

In December 2007, the Financial Accounting Standards Board ("FASB") issued revised SFAS No. 141, "Business Combinations," ("SFAS No. 141") or SFAS No. 141(R). SFAS No. 141(R) retains the fundamental requirements of SFAS No. 141 that the acquisition method of accounting (formerly the purchase method) be used for all business combinations; that an acquirer be identified for each business combination; and that intangible assets be identified and recognized separately from goodwill. SFAS No. 141(R) requires the acquiring entity in a business combination to recognize the assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions. Additionally, SFAS No. 141(R) changes the requirements for recognizing assets acquired and liabilities assumed arising from contingencies and recognizing and measuring contingent consideration. SFAS No. 141(R) also enhances the disclosure requirements for business combinations. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008 and may not be applied before that date.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51," or SFAS No. 160. SFAS No. 160 amends Accounting Research Bulletin No. 51, "Consolidated Financial Statements" to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Among other things, SFAS No. 160 clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements and requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. SFAS No. 160 also amends SFAS No. 128, "Earnings per Share," so that earnings per share calculations in consolidated financial statements will continue to be based on amounts attributable to the parent. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008 and is applied prospectively as of the beginning of the fiscal year in which it is initially applied, except for the presentation and disclosure requirements which are to be applied retrospectively for all periods presented. SFAS No. 160 is not expected to have a material impact on our financial condition or results of operations.

In February 2008, the FASB issued FASB Staff Position FAS 140-3, Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities ("FSP FAS 140-3"). FSP FAS 140-3 was issued to provide guidance on accounting for a transfer of a financial asset and repurchase financing. FSP FAS 140-3 presumes that an initial transfer of a financial asset and repurchase financing are considered part of the same arrangement ("linked transaction") under SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. However, if certain criteria are met, the initial transfer and repurchase financing should not be evaluated as a linked transaction and should be evaluated separately under SFAS No. 140. FSP FAS 140-3 is effective for financial statements issued for fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. Earlier application is not permitted. FSP FAS 140-3 should be applied prospectively to initial transfers and repurchase financings for which the initial transfer is executed on or after the beginning of the fiscal year for which FSP FAS 140-3 is effective. The adoption did not have a material impact on the Company's financial position or results of operations.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities (“SFAS No. 161”). The new standard is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity’s financial position, financial performance, and cash flows. The new standard also improves transparency about the location and amounts of derivative instruments in an entity’s financial statements; how derivative instruments and related hedged items are accounted for under SFAS 133, Accounting for Derivative Instruments and Hedging Activities; and how derivative instruments and related hedged items affect its financial position, financial performance, and cash flows. SFAS No. 161 achieves these improvements by requiring disclosure of the fair values of derivative instruments and their gains and losses in a tabular format. It also provides more information about an entity’s liquidity by requiring disclosure of derivative features that are credit risk-related. Finally, it requires cross-referencing within footnotes to enable financial statement users to locate important information about derivative instruments. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. SFAS No. 161 did not have a material impact on our financial condition or results of operations.

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles (“SFAS No. 162”). The new standard is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with GAAP for nongovernmental entities. The hierarchy under SFAS 162 is as follows: A) FASB Statements of Financial Accounting Standards and Interpretations, FASB Statement 133 Implementation Issues, FASB Staff Positions, and American Institute of Certified Public Accountants (“AICPA”) Accounting Research Bulletins and Accounting Principles Board Opinions that are not superseded by actions of the FASB; B) FASB Technical Bulletins and, if cleared by the FASB, AICPA Industry Audit and Accounting Guides and Statements of Position; C) AICPA Accounting Standards Executive Committee Practice Bulletins that have been cleared by the FASB, consensus positions of the FASB Emerging Issues Task Force (“EITF”), and the Topics discussed in Appendix D of EITF Abstracts (EITF D-Topics); and D) Implementation guides (Q&As) published by the FASB staff, AICPA Accounting Interpretations, AICPA Industry Audit and Accounting Guides and Statements of Position not cleared by the FASB, and practices that are widely recognized and prevalent either generally or in the industry. The Statement was effective November 15, 2008. SFAS No. 162 did not have a material impact on the Company’s financial condition or results of operations.

In June 2008, the FASB issued FASB Staff Position EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities (“FSP EITF 03-6-1”), which addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share under the two-class method. FSP EITF 03-6-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. FSP EITF 03-6-1 is not expected to have a material impact on the Company’s financial condition or results of operations.

(2) MERGER AND ACQUISITION ACTIVITY

On September 1, 2008, the Company completed the acquisition of Mang Insurance Agency, LLC (“Mang”), headquartered in Binghamton, New York. As part of the acquisition, the Company acquired approximately \$15.3 million of intangible assets and \$11.8 million of goodwill, which has been allocated to NBT Holdings, Inc. for reporting purposes. The results of operations are included in the consolidated financial statements from the date of acquisition, September 1, 2008.

(3) EARNINGS PER SHARE

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

| (In thousands, except per share data) | Years ended December 31, | | | | | | | | |
|--|--------------------------|-------------------------------|---------------------|------------|-------------------------------|---------------------|------------|-------------------------------|---------------------|
| | 2008 | | | 2007 | | | 2006 | | |
| | Net income | Weighted average shares | Per share amount | Net income | Weighted average shares | Per share amount | Net income | Weighted average shares | Per share amount |
| Basic earnings per share | \$ 58,353 | 32,152 | \$ 1.81 | \$ 50,328 | 33,165 | \$ 1.52 | \$ 55,947 | 33,886 | \$ 1.65 |
| <i>Effect of dilutive securities</i> | | | | | | | | | |
| Stock based compensation | | 275 | | | 256 | | | 320 | |
| Diluted earnings per share | \$ 58,353 | 32,427 | \$ 1.80 | \$ 50,328 | 33,421 | \$ 1.51 | \$ 55,947 | 34,206 | \$ 1.64 |

There were approximately 328,000, 628,000, and 356,000 weighted average stock options for the years ended December 31, 2008, 2007, and 2006, respectively, that were not considered in the calculation of diluted earnings per share since the stock options’ exercise prices were greater than the average market price during these periods.

(4) FEDERAL RESERVE BANK REQUIREMENT

The Company is required to maintain reserve balances with the Federal Reserve Bank. The required average total reserve for NBT Bank for the 14-day maintenance period ending December 31, 2008 was \$26.9 million.

(5) SECURITIES

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

| <i>(In thousands)</i> | Amortized cost | Unrealized gains | Unrealized losses | Estimated fair value |
|-------------------------------------|-------------------|---------------------|----------------------|-------------------------|
| December 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 |
| December 31, 2007 | | | | |
| U.S. Treasury | \$ 10,042 | \$ 35 | \$ - | \$ 10,077 |
| Federal Agency | 322,723 | 4,352 | 28 | 327,047 |
| State & municipal | 112,647 | 2,122 | 108 | 114,661 |
| Mortgage-backed | 381,585 | 1,195 | 4,473 | 378,307 |
| Collateralized mortgage obligations | 288,222 | 2,496 | 1,103 | 289,615 |
| Corporate | 1,186 | 27 | - | 1,213 |
| Other securities | 8,715 | 2,746 | 151 | 11,310 |
| Total securities available for sale | \$ 1,125,120 | \$ 12,973 | \$ 5,863 | \$ 1,132,230 |

In the available for sale category at December 31, 2008, federal agency securities were comprised of Government-Sponsored Enterprise (“GSE”) securities; mortgaged-backed securities were comprised of GSEs 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 GSEs 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.

In the available for sale category at December 31, 2007, federal agency securities were comprised of GSE securities; mortgaged-backed securities were comprised of GSEs with an amortized cost of \$342.0 million and a fair value of \$338.5 million and US Government Agency securities with an amortized cost of \$39.5 million and a fair value of \$39.8 million; collateralized mortgage obligations were comprised of GSEs with an amortized cost of \$179.1 million and a fair value of \$180.1 million and US Government Agency securities with an amortized cost of \$109.1 million and a fair value of \$109.5 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> | Years ended December 31 | | |
|-------------------------------|-------------------------|-----------|-----------|
| | 2008 | 2007 | 2006 |
| Proceeds from sales | \$ 6,800 | \$ 55,758 | \$ 42,292 |
| Gross realized gains | \$ 1,780 | \$ 2,248 | \$ 618 |
| Gross realized losses | (245) | (135) | (1,493) |
| Net securities gains (losses) | \$ 1,535 | \$ 2,113 | \$ (875) |

At December 31, 2008 and 2007, securities available for sale with amortized costs totaling \$891.6 million and \$962.9 million, respectively, were pledged to secure public deposits and for other purposes required or permitted by law. Additionally, at December 31, 2008, securities available for sale with an amortized cost of \$165.7 million were pledged as collateral for securities sold under the repurchase agreements.

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

| <i>(In thousands)</i> | Amortized cost | Unrealized gains | Unrealized losses | Estimated fair value |
|-----------------------------------|----------------|------------------|-------------------|----------------------|
| 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 |
| December 31, 2007 | | | | |
| Mortgage-backed | \$ 2,810 | \$ 99 | \$ - | \$ 2,909 |
| State & municipal | 145,458 | 439 | 130 | 145,767 |
| Other securities | 843 | - | - | 843 |
| Total securities held to maturity | \$ 149,111 | \$ 538 | \$ 130 | \$ 149,519 |

At December 31, 2008, 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 December 31, 2008 and 2007, segregated according to the length of time the securities had been in a continuous unrealized loss position:

| Security Type: | Less than 12 months | | 12 months or longer | | Total | |
|---|---------------------|-------------------|---------------------|-------------------|------------|-------------------|
| | Fair Value | Unrealized losses | Fair Value | Unrealized losses | Fair Value | Unrealized losses |
| December 31, 2008 | | | | | | |
| U.S. Treasury | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Federal agency | 9,959 | (41) | - | - | 9,959 | (41) |
| State & municipal | 17,024 | (412) | 15,112 | (402) | 32,136 | (814) |
| Mortgage-backed | 2,105 | (28) | 7,336 | (71) | 9,441 | (99) |
| Collateralized mortgage obligations | 46,865 | (1,301) | 15,682 | (136) | 62,547 | (1,437) |
| Other securities | 5,276 | (947) | 704 | (40) | 5,980 | (987) |
| Total securities with unrealized losses | \$ 81,229 | \$ (2,729) | \$ 38,834 | \$ (649) | \$ 120,063 | \$ (3,378) |
| December 31, 2007 | | | | | | |
| U.S. Treasury | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Federal agency | - | - | 29,971 | (28) | 29,971 | (28) |
| State & municipal | 5,284 | (31) | 28,141 | (207) | 33,425 | (238) |
| Mortgage-backed | 666 | (1) | 268,751 | (4,472) | 269,417 | (4,473) |
| Collateralized mortgage obligations | 525 | (22) | 65,212 | (1,081) | 65,737 | (1,103) |
| Other securities | 613 | (20) | 423 | (131) | 1,036 | (151) |
| Total securities with unrealized losses | \$ 7,088 | \$ (74) | \$ 392,498 | \$ (5,919) | \$ 399,586 | \$ (5,993) |

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

Management has the ability and intent to hold the securities classified as held to maturity until they mature, at which time it is believed the Company will receive full value for the securities. Furthermore, as of December 31, 2008, management also had the ability and intent to hold the securities classified as available for sale for a period of time sufficient for a recovery of cost, 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. 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 December 31, 2008, management believes the impairments detailed in the table above are temporary and minimal 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 December 31, 2008:

| <i>(In thousands)</i> | Amortized cost | Estimated fair value |
|--|---------------------|----------------------|
| <i>Debt securities classified as available for sale</i> | | |
| Within one year | \$ 27,075 | \$ 27,447 |
| From one to five years | 175,125 | 178,107 |
| From five to ten years | 388,180 | 399,259 |
| After ten years | 498,092 | 504,085 |
| | <u>\$ 1,088,472</u> | <u>\$ 1,108,898</u> |
| <i>Debt securities classified as held to maturity</i> | | |
| Within one year | \$ 75,141 | \$ 75,192 |
| From one to five years | 34,547 | 34,929 |
| From five to ten years | 22,530 | 23,075 |
| After ten years | 7,991 | 8,112 |
| | <u>\$ 140,209</u> | <u>\$ 141,308</u> |

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

Except for U.S. Government securities, there were no holdings, when taken in the aggregate, of any single issuer that exceeded 10% of consolidated stockholders' equity at December 31, 2008 and 2007.

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

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

| <i>(In thousands)</i> | At December 31, | |
|---|---------------------|---------------------|
| | 2008 | 2007 |
| Residential real estate mortgages | \$ 722,723 | \$ 719,182 |
| Commercial | 572,059 | 593,077 |
| Commercial real estate | 669,720 | 621,820 |
| Real estate construction and development | 67,859 | 81,350 |
| Agricultural and agricultural real estate mortgages | 113,566 | 116,190 |
| Consumer | 795,123 | 655,375 |
| Home equity | 627,603 | 582,731 |
| Lease financing | 83,258 | 86,126 |
| Total loans and leases | <u>\$ 3,651,911</u> | <u>\$ 3,455,851</u> |

Included in the above loans and leases are net deferred loan origination costs totaling \$4.2 million and \$3.3 million at December 31, 2008 and December 31, 2007, respectively. Also included is unearned income of \$7.3 million and \$7.4 million at December 31, 2008 and 2007, respectively. Loans held for sale were \$2.2 million and \$1.2 million at December 31, 2008 and 2007, respectively and are included in residential real estate mortgages.

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

Changes in the allowance for loan and lease losses for the three years ended December 31, 2008, are summarized as follows:

| (In thousands) | Years ended December 31, | | |
|-------------------------------------|--------------------------|------------------|------------------|
| | 2008 | 2007 | 2006 |
| Balance at January 1 | \$ 54,183 | \$ 50,587 | \$ 47,455 |
| Allowance from purchase transaction | - | - | 2,410 |
| Provision | 27,181 | 30,094 | 9,395 |
| Recoveries | 4,192 | 4,745 | 4,699 |
| Charge-offs | (26,992) | (31,243) | (13,372) |
| Balance at December 31 | <u>\$ 58,564</u> | <u>\$ 54,183</u> | <u>\$ 50,587</u> |

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

| (In thousands) | At December 31, | | |
|--|------------------|------------------|------------------|
| | 2008 | 2007 | 2006 |
| Loans in nonaccrual status | \$ 24,191 | \$ 29,697 | \$ 13,665 |
| Loans contractually past due 90 days or more and still accruing interest | 2,305 | 882 | 1,642 |
| Total nonperforming loans | <u>\$ 26,496</u> | <u>\$ 30,579</u> | <u>\$ 15,307</u> |

There were no material commitments to extend further credit to borrowers with nonperforming loans. Within nonaccrual loans, there are approximately \$1.0 million of troubled debt restructured loans at December 31, 2008.

Accumulated interest on the above nonaccrual loans of approximately \$1.2 million, \$0.8 million, and \$0.7 million would have been recognized as income in 2008, 2007, and 2006, respectively, had these loans been in accrual status. Approximately \$1.4 million, \$1.0 million, and \$0.8 million of interest on the above nonaccrual loans was collected in 2008, 2007, and 2006, respectively.

Impaired loans consist primarily of large, nonaccrual commercial, commercial real estate, agricultural, and agricultural real estate loans. Impaired loans totaled \$11.3 million at December 31, 2008 and \$21.5 million at December 31, 2007. At December 31, 2008, \$1.7 million of the impaired loans reviewed in accordance with SFAS No. 114, "Accounting by Creditors for Impairment of a Loan--an amendment of FASB Statements No. 5 and 15" ("SFAS No. 114") had a specific reserve allocation of \$0.6 million and \$9.6 million of the impaired loans reviewed had no specific reserve allocation. At December 31, 2007, \$12.8 million of the impaired loans reviewed had a specific reserve allocation of \$5.1 million and \$8.7 million of the impaired loans reviewed had no specific reserve allocation.

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

| (In thousands) | Years ended December 31, | | |
|---|--------------------------|-----------|----------|
| | 2008 | 2007 | 2006 |
| Average recorded investment on impaired loans | \$ 14,438 | \$ 20,984 | \$ 9,644 |
| Interest income recognized on impaired loans | 360 | 559 | 384 |
| Cash basis interest income recognized on impaired loans | 360 | 559 | 384 |

There was significant disruption and volatility in the financial and capital markets during the second half of 2008. Turmoil in the mortgage market adversely impacted both domestic and global markets, and led to a significant credit and liquidity crisis in many domestic markets. These market conditions were attributable to a variety of factors, in particular the fallout associated with subprime mortgage loans (a type of lending we have never actively pursued). The disruption has been exacerbated by the continued decline of the real estate and housing market. While we continue to adhere to prudent underwriting standards, as a lender we may be adversely impacted by general economic weaknesses and, in particular, a sharp downturn in the housing market nationally. Decreases in real estate values could adversely affect the value of property used as collateral for our loans. Adverse changes in the economy may have a negative effect on the ability of our borrowers to make timely loan payments, which would have an adverse impact on our earnings. A further increase in loan delinquencies would decrease our net interest income and adversely impact our loan loss experience, causing increases in our provision and allowance for loan and lease losses.

The Company recorded an other-than-temporary impairment charge on lease residual assets totaling \$2.0 million during the third quarter of 2008 as a result of a decline in the fair value of lease residual assets associated with certain leased vehicles.

(7) RELATED PARTY TRANSACTIONS

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

| <i>(In thousands)</i> | 2008 | | 2007 |
|--|-------------|----------------|-----------|
| Balance at January 1 | \$ | 10,950 | \$ 9,949 |
| New loans | | 335 | 2,686 |
| Adjustment due to change in composition of related parties | | 344 | 130 |
| Repayments | | (6,196) | (1,815) |
| Balance at December 31 | \$ | 5,433 | \$ 10,950 |

(8) PREMISES AND EQUIPMENT, NET

A summary of premises and equipment follows:

| <i>(In thousands)</i> | December 31, | | 2007 |
|--|---------------------|----------------|-----------|
| | 2008 | | |
| Land, buildings, and improvements | \$ | 88,567 | \$ 85,363 |
| Equipment | | 68,450 | 65,925 |
| Construction in progress | | 113 | 115 |
| Premises and equipment before accumulated depreciation | | 157,130 | 151,403 |
| Accumulated depreciation | | 91,889 | 87,361 |
| Total premises and equipment | \$ | 65,241 | \$ 64,042 |

Land, buildings, and improvements with a carrying value of approximately \$3.2 million and \$3.3 million at December 31, 2008 and 2007, respectively, are pledged to secure long-term borrowings. Buildings and improvements are depreciated based on useful lives of 15 to 40 years. Equipment is depreciated based on useful lives of 3 to 10 years.

Rental expense included in occupancy expense amounted to \$4.5 million in 2008, \$3.5 million in 2007, and \$3.2 million in 2006. The future minimum rental payments related to noncancelable operating leases with original terms of one year or more are as follows at December 31, 2008 (in thousands):

Future Minimum Rental
Payments

| | | |
|--------------|-----------|---------------|
| 2009 | \$ | 4,226 |
| 2010 | | 3,677 |
| 2011 | | 3,440 |
| 2012 | | 3,025 |
| 2013 | | 2,343 |
| Thereafter | | 19,555 |
| Total | \$ | 36,266 |

(9) GOODWILL AND OTHER INTANGIBLE ASSETS

A summary of goodwill is as follows:

(In thousands)

| | | |
|-----------------------------|-----------|----------------|
| January 1, 2008 | | 103,398 |
| Goodwill Acquired | | 11,808 |
| Goodwill Adjustments | | (368) |
| December 31, 2008 | \$ | 114,838 |
| | | |
| January 1, 2007 | \$ | 103,356 |
| Goodwill Adjustments | | 42 |
| December 31, 2007 | | 103,398 |

In September 2008, the Company acquired Mang Insurance Agency, LLC. The acquisition resulted in increases to goodwill of \$11.8 million and other intangibles of \$15.3 million.

The Company has intangible assets with definite useful lives capitalized on its consolidated balance sheet in the form of core deposit and other identified intangible assets. These intangible assets are amortized over their estimated useful lives, which range primarily from one to twelve years.

A summary of core deposit and other intangible assets follows:

| (In thousands) | December 31, | |
|-------------------------------------|--------------|-----------|
| | 2008 | 2007 |
| Core deposit intangibles | | |
| Gross carrying amount | \$ 10,631 | \$ 12,663 |
| Less: accumulated amortization | 3,469 | 4,387 |
| Net carrying amount | 7,162 | 8,276 |
| Identified intangible assets | | |
| Gross carrying amount | 18,194 | 2,895 |
| Less: accumulated amortization | 1,989 | 998 |
| Net carrying amount | 16,205 | 1,897 |
| Total intangibles | | |
| Gross carrying amount | 28,825 | 15,558 |
| Less: accumulated amortization | 5,458 | 5,385 |
| Net carrying amount | \$ 23,367 | \$ 10,173 |

Amortization expense on intangible assets with definite useful lives totaled \$2.1 million for 2008, \$1.6 million for 2007 and \$1.6 million for 2006. Amortization expense on intangible assets with definite useful lives is expected to total \$3.2 million for 2009, \$3.0 million for 2010, \$2.8 million for 2011, \$2.6 million for 2012, \$2.5 million for 2013 and \$7.5 million thereafter. The Company also has \$1.8 million in intangible assets that will not amortize.

(10) DEPOSITS

The following table sets forth the maturity distribution of time deposits at December 31, 2008 (in thousands):

| | | |
|-----------------------------------|----|-----------|
| Time deposits | | |
| Within one year | \$ | 971,490 |
| After one but within two years | | 236,742 |
| After two but within three years | | 59,711 |
| After three but within four years | | 62,687 |
| After four but within five years | | 16,872 |
| After five years | | 4,710 |
| Total | \$ | 1,352,212 |

Time deposits of \$100,000 or more aggregated \$428.8 million and \$694.3 million at year end 2008 and 2007, respectively.

(11) SHORT-TERM BORROWINGS

Short-term borrowings totaled \$206.5 million and \$368.5 million at December 31, 2008 and 2007, respectively, and consist of Federal funds purchased and securities sold under repurchase agreements, which generally represent overnight borrowing transactions, and other short-term borrowings, primarily Federal Home Loan Bank (FHLB) advances, with original maturities of one year or less. The Company has unused lines of credit with the FHLB available for short-term financing of approximately \$245 million and \$238 million at December 31, 2008 and 2007, respectively.

Included in the information provided above, the Company has two lines of credit available with the FHLB, which are automatically renewed on July 30th of each year. The first is an overnight line of credit for approximately \$100.0 million with interest based on existing market conditions. The second is a one-month overnight repricing line of credit for approximately \$100.0 million with interest based on existing market conditions. As of December 31, 2008, there was \$10.0 million (included in federal funds purchased) outstanding on these lines of credit. Borrowings on these lines are secured by FHLB stock, certain securities and one-to-four family first lien mortgage loans. Securities collateralizing repurchase agreements are held in safekeeping by nonaffiliated financial institutions and are under the Company's control.

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

| <i>(In thousands)</i> | 2008 | 2007 | 2006 |
|---|------------|------------|------------|
| <i>Federal funds purchased</i> | | | |
| Balance at year-end | \$ 85,000 | \$ 149,250 | \$ 100,000 |
| Average during the year | 70,445 | 98,872 | 76,550 |
| Maximum month end balance | 124,000 | 149,250 | 122,000 |
| Weighted average rate during the year | 2.34% | 5.14% | 5.10% |
| Weighted average rate at December 31 | 0.27% | 4.38% | 5.36% |
| <i>Securities sold under repurchase agreements</i> | | | |
| Balance at year-end | \$ 121,242 | \$ 93,967 | \$ 95,158 |
| Average during the year | 109,692 | 104,876 | 89,934 |
| Maximum month end balance | 138,527 | 117,337 | 103,921 |
| Weighted average rate during the year | 1.74% | 3.62% | 3.32% |
| Weighted average rate at December 31 | 0.42% | 3.56% | 3.53% |
| <i>Other short-term borrowings</i> | | | |
| Balance at year-end | \$ 250 | \$ 125,250 | \$ 150,250 |
| Average during the year | 43,693 | 76,414 | 164,771 |
| Maximum month end balance | 200,250 | 125,250 | 225,250 |
| Weighted average rate during the year | 2.94% | 5.32% | 5.19% |
| Weighted average rate at December 31 | 0.00% | 4.54% | 5.44% |

See Note 5 for additional information regarding securities pledged as collateral for securities sold under the repurchase agreements.

(12) LONG-TERM DEBT

Long-term debt consists of obligations having an original maturity at issuance of more than one year. A majority of the Company's long-term debt is comprised of FHLB advances collateralized by the FHLB stock owned by the Company, certain of its mortgage-backed securities and a blanket lien on its residential real estate mortgage loans. A summary as of December 31, 2008 and 2007 is as follows:

| Maturity | As of December 31, 2008 | | | | As of December 31, 2007 | | | |
|----------|-------------------------|-----------------------|-------------------|-----------------------|-------------------------|-----------------------|-------------------|-----------------------|
| | Amount | Weighted Average Rate | Callable Amount | Weighted Average Rate | Amount | Weighted Average Rate | Callable Amount | Weighted Average Rate |
| 2008 | - | - | - | - | 130,079 | 4.05% | 25,000 | 5.38% |
| 2009 | 40,000 | 5.47% | 40,000 | 5.47% | 40,000 | 5.47% | 40,000 | 5.47% |
| 2010 | 79,000 | 4.07% | 29,000 | 3.35% | 54,000 | 4.20% | 29,000 | 3.35% |
| 2011 | 89,444 | 3.64% | 2,000 | 4.72% | 1,921 | 4.92% | 1,921 | 4.72% |
| 2012 | 25,025 | 4.01% | - | - | 32 | 0.00% | - | - |
| 2013 | 150,000 | 3.79% | 125,000 | 3.61% | 25,000 | 3.21% | 25,000 | 3.21% |
| 2016 | 70,000 | 4.17% | 70,000 | 4.17% | 70,000 | 4.17% | 70,000 | 4.17% |
| 2017 | 100,000 | 3.89% | 100,000 | 3.89% | 100,000 | 3.89% | 100,000 | 3.89% |
| 2018 | 75,000 | 3.61% | 75,000 | 3.61% | - | - | - | - |
| 2025 | 3,740 | 2.75% | - | - | 3,855 | 2.75% | - | - |
| | <u>\$ 632,209</u> | | <u>\$ 441,000</u> | | <u>\$ 424,887</u> | | <u>\$ 290,921</u> | |

(13) TRUST PREFERRED DEBENTURES

The Company has issued a total of \$75.4 million of junior subordinated deferrable interest debentures to three wholly owned Delaware statutory business trusts, CNBF Capital Trust I ("CNBF Trust I"), NBT Statutory Trust I ("NBT Trust I") and NBT Statutory Trust II ("NBT Trust II") collectively referred to as the ("Trusts"). The Trusts are considered variable interest entities for which the Company is not the primary beneficiary. Accordingly, the accounts of the Trusts are not included in the Company's consolidated financial statements. See Note 1 — Summary of Significant Accounting Policies for additional information about the Company's consolidation policy. Details of the Company's transactions with these trusts are presented below.

CNBF Trust I

In June 1999, CNBF Trust I issued \$18.0 million of floating rate (three-month LIBOR plus 275 basis points) trust preferred securities, which represent beneficial interests in the assets of the trust. The trust preferred securities will mature on August 31, 2029 and are redeemable with the approval of the Federal Reserve Board in whole or in part at the option of the Company at any time after September 1, 2009 and in whole at any time upon the occurrence of certain events affecting their tax or regulatory capital treatment. Distributions on the trust preferred securities are payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year. CNBF Trust I also issued \$0.7 million of common equity securities to the Company. The proceeds of the offering of the trust preferred securities and common equity securities were used to purchase \$18.7 million of floating rate (three-month LIBOR plus 275 basis points) junior subordinated deferrable interest debentures issued by the Company, which have terms substantially similar to the trust preferred securities.

NBT Trust I

In November 2005, NBT Trust I issued \$5.0 million of fixed rate (at 6.30%) trust preferred securities, which represent beneficial interests in the assets of the trust. After 5 years, the rate converts to a floating rate (three-month LIBOR plus 140 basis points). The trust preferred securities will mature on December 1, 2035 and are redeemable with the approval of the Federal Reserve Board in whole or in part at the option of the Corporation at any time after December 1, 2010 and in whole at any time upon the occurrence of certain events affecting their tax or regulatory capital treatment. Distributions on the trust preferred securities are payable quarterly in arrears on March 15, June 15, September 15 and December 15 of each year. NBT Trust I also issued \$0.2 million of common equity securities to the Company. The proceeds of the offering of the trust preferred securities and common equity securities were used to purchase \$5.2 million of fixed rate (at 6.30%) junior subordinated deferrable interest debentures issued by the Corporation, which have terms substantially similar to the trust preferred securities.

NBT Trust II

In connection with acquisition of CNB, the Company formed NBT Trust II in February 2006 to fund the cash portion of the acquisition as well as to provide regulatory capital. NBT Trust II issued \$50.0 million of fixed rate (at 6.195%) trust preferred securities, which represent beneficial interests in the assets of the trust. After 5 years, the rate converts to a floating rate (three-month LIBOR plus 140 basis points). The trust preferred securities will mature on March 15, 2036 and are redeemable with the approval of the Federal Reserve Board in whole or in part at the option of the Corporation at any time after March 15, 2011 and in whole at any time upon the occurrence of certain events affecting their tax or regulatory capital treatment. Distributions on the trust preferred securities are payable quarterly in arrears on March 15, June 15, September 15 and December 15 of each year. NBT Trust II also issued \$1.5 million of common equity securities to the Company. The proceeds of the offering of the trust preferred securities and common equity securities were used to purchase \$51.5 million of fixed rate (at 6.195%) junior subordinated deferrable interest debentures issued by the Corporation, which have terms substantially similar to the trust preferred securities.

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

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

Despite the fact that the accounts of CNBF Trust I, NBT Trust I, and NBT Trust II are not included in the Company's consolidated financial statements, the \$74 million of the \$75 million in trust preferred securities issued by these subsidiary trusts are included in the Tier 1 capital of the Company for regulatory capital purposes as allowed by the Federal Reserve Board (NBT Bank, NA owns \$1.0 million of CNBF Trust I securities).

(14) INCOME TAXES

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

| | Years ended December 31, | | |
|--------------------------|--------------------------|------------------|------------------|
| | 2008 | 2007 | 2006 |
| Current | | | |
| Federal | \$ 19,156 | \$ 19,020 | \$ 13,655 |
| State | 1,471 | 523 | 732 |
| | <u>20,627</u> | <u>19,543</u> | <u>14,387</u> |
| Deferred | | | |
| Federal | 3,915 | 1,530 | 7,754 |
| State | 863 | 714 | 2,013 |
| | <u>4,778</u> | <u>2,244</u> | <u>9,767</u> |
| Total income tax expense | <u>\$ 25,405</u> | <u>\$ 21,787</u> | <u>\$ 24,154</u> |

Not included in the above table are changes in deferred tax assets and liabilities that were recorded to stockholders' equity of approximately (\$3.9 million), \$6.1 million, and (\$6.5 million) for 2008, 2007, and 2006, respectively, relating to unrealized gain (loss) on available for sale securities, tax benefits recognized with respect to stock options exercised, and tax benefit related to pension funding.

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

| (In thousands) | December 31, | |
|---|-----------------|-----------------|
| | 2008 | 2007 |
| Deferred tax assets | | |
| Allowance for loan and lease losses | \$ 22,059 | \$ 20,372 |
| Deferred compensation | 4,196 | 4,606 |
| Postretirement benefit obligation | 1,170 | 1,187 |
| Writedowns on corporate debt securities | 177 | 465 |
| Accrued liabilities | 1,186 | 1,534 |
| New York State tax credit and net operating loss carryforward | - | 196 |
| Stock-based compensation expense | 1,962 | 1,377 |
| Other | 943 | 893 |
| Total deferred tax assets | <u>31,693</u> | <u>30,630</u> |
| Deferred tax liabilities | | |
| Pension | 16,744 | 14,454 |
| Premises and equipment, primarily due to accelerated depreciation | 1,803 | 1,817 |
| Equipment leasing | 26,354 | 23,483 |
| Deferred loan costs | 1,687 | 1,315 |
| Intangible amortization | 8,715 | 7,997 |
| Other | 452 | 848 |
| Total deferred tax liabilities | <u>55,755</u> | <u>49,914</u> |
| Net deferred tax liability at year-end | <u>(24,062)</u> | <u>(19,284)</u> |
| Net deferred tax liability at beginning of year | <u>(19,284)</u> | <u>(17,040)</u> |
| Deferred tax expense | <u>\$ 4,778</u> | <u>\$ 2,244</u> |

The above table does not include the recorded deferred tax liability of \$8.2 million as of December 31, 2008 and the deferred tax liability of \$2.8 million as of December 31, 2007 related to the net unrealized holding gain/loss in the available-for-sale securities portfolio. The table also excludes deferred tax assets of \$13.6 million and \$5.2 million related to pension and postretirement benefit funding as of December 31, 2008 and December 31, 2007, respectively. The changes in these deferred assets are recorded directly in stockholders' equity.

Realization of deferred tax assets is dependent upon the generation of future taxable income or the existence of sufficient taxable income within the available carryback period. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax asset will not be realized. Based on available evidence, gross deferred tax assets will ultimately be realized and a valuation allowance was not deemed necessary at December 31, 2008 and 2007.

The Company adopted the provisions of FIN 48, “Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109” on January 1, 2007 with no material impact to the financial statements.

A reconciliation of the beginning and ending balance of gross unrecognized tax benefits is as follows:

| (In thousands) | December 31, | |
|--|-----------------|-----------------|
| | 2008 | 2007 |
| Balance at January 1 | \$ 2,515 | \$ 2,563 |
| Additions based on tax positions related to the current year | - | 86 |
| Additions for tax positions of prior years | 65 | 258 |
| Reduction for tax positions of prior years | (368) | (392) |
| Balance at December 31 | <u>\$ 2,212</u> | <u>\$ 2,515</u> |

Approximately \$1.8 million of the total amount of unrecognized tax benefits at December 31, 2008 and 2007 would impact the annual effective tax rate, if recognized. The Company is currently under examination by New York State for tax years 2000 through 2004. It is likely that the examination phase of some of these audits will conclude in 2009, and it is reasonably possible a reduction in the unrecognized tax benefits may occur; however, quantification of an estimated range cannot be made at this time. The Company is no longer subject to U.S. Federal examination by tax authorities for years prior to 2007.

The Company recognizes interest accrued and penalties related to unrecognized tax benefits in income tax expense. The total amount of accrued interest at December 31, 2008 and December 31, 2007 was approximately \$0.6 million and \$0.4 million (less the associated tax benefit), respectively. Net interest impacting the Company’s 2008 and 2007 tax expense was \$0.2 million and \$0.1 million, respectively.

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

| (In thousands) | Years ended December 31 | | |
|---|-------------------------|------------------|------------------|
| | 2008 | 2007 | 2006 |
| Federal income tax at statutory rate | \$ 29,315 | \$ 25,229 | \$ 28,035 |
| Tax exempt income | (3,847) | (3,596) | (3,164) |
| Net increase in CSV of life insurance | (1,473) | (915) | (869) |
| State taxes, net of federal tax benefit | 1,517 | 804 | 1,785 |
| Other, net | (107) | 265 | (1,633) |
| Income tax expense | <u>\$ 25,405</u> | <u>\$ 21,787</u> | <u>\$ 24,154</u> |

(15) STOCKHOLDERS' EQUITY

Certain restrictions exist regarding the ability of the subsidiary bank to transfer funds to the Company in the form of cash dividends. The approval of the Office of Comptroller of the Currency (OCC) is required to pay dividends when a bank fails to meet certain minimum regulatory capital standards or when such dividends are in excess of a subsidiary bank's earnings retained in the current year plus retained net profits for the preceding two years (as defined in the regulations). At December 31, 2008, approximately \$46.6 million of the total stockholders' equity of the Bank was available for payment of dividends to the Company without approval by the OCC. The Bank's ability to pay dividends also is subject to the Bank being in compliance with regulatory capital requirements. The Bank is currently in compliance with these requirements. Under the State of Delaware Business Corporation Law, the Company may declare and pay dividends either out of accumulated net retained earnings or capital surplus.

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

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

Components of accumulated other comprehensive loss are:

| (In thousands) | As of December 31, | |
|---|--------------------|------------|
| | 2008 | 2007 |
| Unrecognized prior service cost and net actuarial loss on pension plans | \$ (20,692) | \$ (7,846) |
| Unrealized net holding gains on available for sale securities | 12,488 | 4,271 |
| Accumulated other comprehensive loss | \$ (8,204) | \$ (3,575) |

(16) REGULATORY CAPITAL REQUIREMENTS

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

Quantitative measures established by regulation to ensure capital adequacy require the Company and NBT Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 Capital to risk-weighted assets, and of Tier 1 capital to average assets. As of December 31, 2008 and 2007, the Company and NBT Bank meet all capital adequacy requirements to which they were subject.

Under their prompt corrective action regulations, regulatory authorities are required to take certain supervisory actions (and may take additional discretionary actions) with respect to an undercapitalized institution. Such actions could have a direct material effect on an institution's financial statements. The regulations establish a framework for the classification of banks into five categories: well capitalized, adequately capitalized, under capitalized, significantly under capitalized, and critically under capitalized. As of December 31, 2008, the most recent notification from NBT Bank's regulators categorized NBT Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized NBT Bank must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 capital to average asset ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed NBT Bank's category.

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

| | Actual | | Regulatory ratio requirements | |
|---|------------|--------|-------------------------------|--|
| | Amount | Ratio | Minimum capital adequacy | For classification as well capitalized |
| <i>(Dollars in thousands)</i> | | | | |
| As of December 31, 2008 | | | | |
| Total capital (to risk weighted assets): | | | | |
| Company combined | \$ 421,829 | 11.00% | 8.00% | 10.00% |
| NBT Bank | 408,069 | 10.64% | 8.00% | 10.00% |
| Tier I Capital (to risk weighted assets) | | | | |
| Company combined | 373,783 | 9.75% | 4.00% | 6.00% |
| NBT Bank | 359,984 | 9.38% | 4.00% | 6.00% |
| Tier I Capital (to average assets) | | | | |
| Company combined | 373,783 | 7.17% | 4.00% | 5.00% |
| NBT Bank | 359,984 | 6.93% | 4.00% | 5.00% |
| As of December 31, 2007 | | | | |
| Total capital (to risk weighted assets): | | | | |
| Company combined | \$ 405,194 | 11.05% | 8.00% | 10.00% |
| NBT Bank | 387,690 | 10.66% | 8.00% | 10.00% |
| Tier I Capital (to risk weighted assets) | | | | |
| Company combined | 359,241 | 9.79% | 4.00% | 6.00% |
| NBT Bank | 342,102 | 9.40% | 4.00% | 6.00% |
| Tier I Capital (to average assets) | | | | |
| Company combined | 359,241 | 7.14% | 4.00% | 5.00% |
| NBT Bank | 342,102 | 6.82% | 4.00% | 5.00% |

(17) EMPLOYEE BENEFIT PLANS

DEFINED BENEFIT POSTRETIREMENT PLANS

The Company has a qualified, noncontributory, defined benefit pension plan covering substantially all of its employees at December 31, 2008. Benefits paid from the plan are based on age, years of service, compensation, social security benefits, and are determined in accordance with defined formulas. The Company's policy is to fund the pension plan in accordance with ERISA standards. Assets of the plan are invested in publicly traded stocks and bonds. Prior to January 1, 2000, the Company's plan was a traditional defined benefit plan based on final average compensation. On January 1, 2000, the plan was converted to a cash balance plan with grandfathering provisions for existing participants. In 2006, the Pension Protection Act of 2006 was enacted, which established certain criteria to ensure that pension plan assets are sufficient to satisfy future obligations. The law identifies at risk plans and applies stricter funding requirements to help stabilize at risk plans. The Company has determined that the law does not materially affect the Company's funding obligations with respect to its benefit plans.

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

As discussed in Note 1, the Company adopted SFAS No. 158 effective December 31, 2006. SFAS No. 158 requires an employer to: (1) recognize the overfunded or underfunded status of defined benefit postretirement plans, which is measured as the difference between plan assets at fair value and the benefit obligation, as an asset or liability in its balance sheet; (2) recognize changes in that funded status in the year in which the changes occur through comprehensive income, except in year of adoption; and (3) measure the defined benefit plan assets and obligations as of the date of its year-end balance sheet. SFAS No. 158 does not change how an employer measures plan assets and benefit obligations as of the date of its balance sheet or how it determines the amount of net periodic benefit cost. The adjustment to accumulated other comprehensive loss for the adoption of SFAS No. 158 was \$7.6 million at December 31, 2006.

The components of accumulated other comprehensive loss, which have not yet been recognized as components of net periodic benefit cost, related to pensions and other postretirement benefits, net of tax, at December 31, 2008 are summarized below. The Company expects that \$2.6 million in net actuarial loss and \$0.1 million in prior service cost will be recognized as components of net periodic benefit cost in 2009.

| (In thousands) | Pension Benefits | | Other Benefits | |
|--|------------------|-----------|----------------|---------|
| | 2008 | 2007 | 2008 | 2007 |
| Transition asset | \$ (23) | \$ (215) | \$ - | \$ - |
| Net actuarial loss | 31,416 | 11,585 | 2,182 | 2,578 |
| Prior service cost (credit) | 2,208 | 1,329 | (1,480) | (1,683) |
| Total amounts recognized in accumulated other comprehensive loss (pre-tax) | \$ 33,601 | \$ 12,699 | \$ 702 | \$ 895 |

A December 31 measurement date is used for the pension, supplemental pension and postretirement benefit plans. The following table sets forth changes in benefit obligation, changes in plan assets, and the funded status of the pension plans and other postretirement benefits:

| (In thousands) | Pension Benefits | | Other Benefits | |
|--|------------------|-----------|----------------|------------|
| | 2008 | 2007 | 2008 | 2007 |
| Change in benefit obligation | | | | |
| Benefit obligation at beginning of year | \$ 53,325 | \$ 52,903 | \$ 3,978 | \$ 3,839 |
| Service cost | 2,193 | 2,100 | 22 | 19 |
| Interest cost | 3,253 | 2,979 | 218 | 233 |
| Plan participants' contributions | - | - | 287 | 303 |
| Actuarial loss (gain) | 420 | 49 | (240) | 301 |
| Amendments | 1,098 | - | - | - |
| Benefits paid | (3,523) | (4,617) | (617) | (717) |
| Prior service cost | - | (89) | - | - |
| Projected benefit obligation at end of year | 56,766 | 53,325 | 3,648 | 3,978 |
| Change in plan assets | | | | |
| Fair value of plan assets at beginning of year | 72,714 | 65,544 | - | - |
| Actual (loss) return on plan assets | (13,781) | 5,365 | - | - |
| Employer contributions | 5,490 | 6,422 | 330 | 414 |
| Plan participants' contributions | - | - | 287 | 303 |
| Benefits paid | (3,523) | (4,617) | (617) | (717) |
| Fair value of plan assets at end of year | 60,900 | 72,714 | - | - |
| Funded status at year end | \$ 4,134 | \$ 19,389 | \$ (3,648) | \$ (3,978) |

The funded status of the pension and other postretirement benefit plans has been recognized as follows in the consolidated balance sheets at December 31, 2008 and December 31, 2007. An asset is recognized for an overfunded plan and a liability is recognized for an underfunded plan. The accumulated benefit obligation for pension benefits was \$55.9 million and \$52.7 million for the years ended 2008 and 2007, respectively. The accumulated benefit obligation for other postretirement benefits was \$3.6 million and \$4.0 million for the years ended 2008 and 2007, respectively.

| (In thousands) | Pension Benefits | | Other Benefits | |
|-------------------|------------------|-----------|----------------|------------|
| | 2008 | 2007 | 2008 | 2007 |
| Other assets | \$ 9,844 | \$ 24,872 | \$ - | \$ - |
| Other liabilities | (5,710) | (5,483) | (3,648) | (3,978) |
| Funded status | \$ 4,134 | \$ 19,389 | \$ (3,648) | \$ (3,978) |

The following assumptions were used to determine the benefit obligation and the net periodic pension cost for the years indicated:

| (In thousands) | Years ended December 31, | | |
|---|--------------------------|-------|-------|
| | 2008 | 2007 | 2006 |
| Weighted average assumptions: | | | |
| The following assumptions were used to determine the benefit obligation: | | | |
| Discount rate | 6.30% | 6.30% | 5.80% |
| Expected long-term return on plan assets | 8.00% | 8.50% | 8.50% |
| Rate of compensation increase | 3.00% | 3.00% | 3.09% |
| The following assumptions were used to determine net periodic pension cost: | | | |
| Discount rate | 6.30% | 5.80% | 5.50% |
| Expected long-term return on plan assets | 8.50% | 8.50% | 8.50% |
| Rate of compensation increase | 3.00% | 3.00% | 3.75% |

Net periodic benefit cost and other amounts recognized in other comprehensive income for the years ended December 31 included the following components:

| (In thousands) | Pension Benefits | | | Other Benefits | | |
|--|------------------|----------|----------|----------------|--------|-------|
| | 2008 | 2007 | 2006 | 2008 | 2007 | 2006 |
| Components of net periodic benefit cost | | | | | | |
| Service cost | \$ 2,193 | \$ 2,100 | \$ 2,019 | \$ 22 | \$ 19 | \$ 3 |
| Interest cost | 3,253 | 2,979 | 2,776 | 218 | 233 | 185 |
| Expected return on plan assets | (6,028) | (5,430) | (3,952) | - | - | - |
| Amortization of initial unrecognized asset | (192) | (192) | (192) | - | - | - |
| Amortization of prior service cost | 218 | 283 | 236 | (202) | (202) | (266) |
| Amortization of unrecognized net gain | 398 | 422 | 838 | 156 | 170 | 160 |
| Net periodic pension (income) cost | \$ (158) | \$ 162 | \$ 1,725 | \$ 194 | \$ 220 | \$ 82 |
| Other changes in plan assets and benefit obligations recognized in other comprehensive income (pre-tax) | | | | | | |
| Net loss (gain) | \$ 20,229 | \$ 114 | \$ - | \$ (240) | \$ 302 | \$ - |
| Prior service cost | 1,098 | (90) | - | - | - | - |
| Amortization of initial unrecognized asset | 192 | 192 | - | - | - | - |
| Amortization of prior service cost | (218) | (283) | - | 202 | 202 | - |
| Amortization of unrecognized net gain | (398) | (422) | - | (156) | (170) | - |
| Total recognized in other comprehensive income (loss) | 20,903 | (489) | - | (194) | 334 | - |
| Total recognized in net periodic benefit cost and other comprehensive income (pre-tax) | \$ 20,745 | \$ (327) | \$ 1,725 | \$ - | \$ 554 | \$ 82 |

The following table sets forth estimated future benefit payments for the pension plans and other postretirement benefit plans:

| | Pension Benefits | Other Benefits |
|-------------|------------------|----------------|
| 2009 | 4,320 | 246 |
| 2010 | 4,376 | 243 |
| 2011 | 4,402 | 235 |
| 2012 | 4,481 | 247 |
| 2013 | 4,604 | 260 |
| 2014 - 2018 | 26,044 | 1,443 |

The Company is not required to make contributions to the plan in 2009.

PLAN INVESTMENT POLICY AS OF DECEMBER 31, 2008:

The Company's key investment objectives in managing its defined benefit plan assets are to ensure that present and future benefit obligations to all participants and beneficiaries are met as they become due; to provide a total return that, over the long-term, maximizes the ratio of the plan assets to liabilities, while minimizing the present value of required Company contributions, at the appropriate levels of risk; to meet statutory requirements and regulatory agencies' requirements; and to satisfy applicable accounting standards. The Company periodically evaluates the asset allocations, funded status, rate of return assumption and contribution strategy for satisfaction of our investment objectives. Generally, the investment manager allocates investments as follows: 20-40% of the total portfolio in fixed income, 40-80% in equities, and 0-20% in cash. Only high-quality bonds should be included in the portfolio. All issues that are rated lower than A by Standard and Poor's should be excluded. Equity securities at December 31, 2008 and 2007 do not include any NBT Bancorp Inc. common stock.

The following is a summary of the plan's weighted average asset allocation at December 31, 2008:

| (In thousands) | Actual Allocation | Percentage Allocation |
|-----------------------------|----------------------|--------------------------|
| Cash and Cash Equivalents | \$ 9,742 | 16.00% |
| Foreign Equity Mutual Funds | \$ 4,228 | 6.95% |
| Equity Mutual Funds | \$ 6,292 | 10.33% |
| US Government Bonds | 18,328 | 30.09% |
| Corporate Bonds | 3,955 | 6.49% |
| Common Stock | 14,881 | 24.44% |
| Preferred Stock | 179 | 0.29% |
| Foreign Equity | 3,295 | 5.41% |
| Total | <u>\$ 60,900</u> | <u>100.00%</u> |

DETERMINATION OF ASSUMED RATE OF RETURN

The expected long-term rate-of-return on assets is 8.5%. This assumption represents the rate of return on plan assets reflecting the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the projected benefit obligation. The assumption has been determined by reflecting expectations regarding future rates of return for the portfolio considering the asset distribution and related historical rates of return. The appropriateness of the assumption is reviewed annually. The portfolio allocation as of December 31, 2008 is as follows:

| | Percentage Allocation |
|-------------------------------|--------------------------|
| Money Market & Equivalents | 16.00% |
| Taxable Bonds | 36.58% |
| International Equities | 12.36% |
| US Equities | 35.06% |
| Total | <u>100.00%</u> |

For measurement purposes, the annual rates of increase in the per capita cost of covered medical and prescription drug benefits for fiscal year 2008 were assumed to be 8.0 and 11.0 percent, respectively. The rates were assumed to decrease gradually to 5.0 percent for fiscal year 2014 and remain at that level thereafter. The rates were assumed to decrease gradually to 5.0 percent for fiscal year 2016 for post-65 medical costs and prescription drug benefits. The rates were assumed to decrease gradually to 5.0 percent for fiscal year 2017 for pre-65 medical costs and prescription drug benefits. Assumed health care cost trend rates have a significant effect on amounts reported for health care plans. A one-percentage point change in the health care trend rates would have the following effects as of and for the year ended December 31, 2008:

| <i>(In thousands)</i> | 1-Percentage point increase | 1-Percentage point decrease |
|--|--------------------------------|--------------------------------|
| Increase (decrease) on total service and interest cost components | \$ 27 | \$ (25) |
| Increase (decrease) on postretirement accumulated benefit obligation | 399 | (366) |

EMPLOYEE 401(K) AND EMPLOYEE STOCK OWNERSHIP PLANS

At December 31, 2008, the Company maintains a 401(k) and employee stock ownership plan (the “401k Plan”). The Company contributes to the 401k Plan based on employees’ contributions out of their annual salary. In addition, the Company may also make discretionary contributions to the 401k Plan based on profitability. Participation in the 401k Plan is contingent upon certain age and service requirements. The recorded expenses associated with the 401k Plan were \$2.7 million in 2008, \$1.4 million in 2007, and \$1.4 million in 2006.

OMNIBUS INCENTIVE PLAN

In April 2008, the Company adopted the NBT Bancorp Inc. 2008 Omnibus Incentive Plan (the “Plan”). Under the terms of the Plan, options and other stock-based awards are granted to directors and key employees to increase their direct proprietary interest in the operations and success of the Company. The Plan assumes all prior incentive plans and any new stock-based awards are granted under the terms of the Plan. Under terms of the Plan, stock options are granted to purchase shares of the Company’s common stock at a price equal to the fair market value of the common stock on the date of the grant. Options granted have a vesting period of four years and terminate eight or ten years from the date of the grant. Shares issued as a result of stock option exercises are funded from the Company’s treasury stock.

The per share weighted average fair value of stock options granted during 2008, 2007, and 2006 was \$4.41, \$6.37, and \$5.26, respectively. The fair value of each award is estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in the years ended December 31. Historical information was the primary basis for the selection of the expected volatility, expected dividend yield and the expected lives of the options. The risk-free interest rate was selected based upon yields of the U.S. treasury issues with a term equal to the expected life of the option being valued:

| | Years ended December 31, | | |
|--------------------------|--------------------------|---------------|---------------|
| | 2008 | 2007 | 2006 |
| Dividend yield | 2.72%–4.17% | 2.98%–4.35% | 3.08%–3.52% |
| Expected volatility | 27.73%–29.38% | 25.08%–28.01% | 28.26%–28.62% |
| Risk-free interest rates | 2.96%–3.62% | 3.64%–4.96% | 4.36%–5.04% |
| Expected life | 7 years | 7 years | 7 years |

The following table summarizes information concerning stock options outstanding at December 31, 2008:

| | Number of Shares | Weighted average exercise price | Weighted Average Remaining Contractual Term (in yrs) | Aggregate Intrinsic Value |
|----------------------------------|---------------------|---------------------------------------|--|------------------------------|
| Outstanding at December 31, 2007 | 1,878,352 | \$ 20.89 | | |
| Granted | 316,400 | 21.24 | | |
| Exercised | (547,895) | 19.88 | | |
| Forfeited | (37,320) | 22.34 | | |
| Outstanding at December 31, 2008 | 1,609,537 | \$ 21.26 | 6.42 | \$ 10,828,575 |
| Exercisable at December 31, 2008 | 961,657 | \$ 20.39 | 5.18 | \$ 7,284,331 |
| Expected to Vest | 613,598 | \$ 22.54 | 8.21 | \$ 3,544,245 |

The weighted-average fair market value of stock options granted for the twelve months ended December 31, 2008, was \$4.41 per share. Total stock-based compensation expense for stock option awards totaled \$1.4 million for the year ended December 31, 2008. The tax benefit recognized on stock-based compensation expense for stock option awards during 2008 totaled \$1.4 million. Cash proceeds, tax benefits and intrinsic value related to total stock options exercised is as follows:

| | Year ended | |
|---|----------------------|----------------------|
| (dollars in thousands) | December 31, 2008 | December 31, 2007 |
| Proceeds from stock options exercised | \$ 10,553 | \$ 4,353 |
| Tax benefits related to stock options exercised | 1,406 | 715 |
| Intrinsic value of stock options exercised | 3,591 | 1,800 |

The Company has outstanding restricted and deferred stock awards granted from various plans at December 31, 2008. The Company recognized \$0.8 million in stock-based compensation expense related to these stock awards for the year ended December 31, 2008 and \$1.0 million for the year ended December 31, 2007. The tax benefit recognized on restricted and deferred stock-based compensation expense during 2008 totaled \$0.6 million and \$0.7 million during 2007. Unrecognized compensation cost related to restricted stock awards totaled \$3.1 million at December 31, 2008 and will be recognized over 2.9 years on a weighted average basis. Shares issued are funded from the Company's treasury stock. The following table summarizes information for unvested restricted stock awards outstanding as of December 31, 2008:

| | Number of Shares | Weighted- Average Grant Date Fair Value |
|---|------------------------|--|
| Unvested Restricted Stock Awards | | |
| Unvested at January 1, 2008 | 144,800 | \$ 22.35 |
| Forfeited | (9,067) | \$ 22.60 |
| Vested | (30,239) | \$ 23.83 |
| Granted | 31,648 | \$ 22.38 |
| Unvested at December 31, 2008 | 137,142 | \$ 24.07 |

The following table summarizes information for unvested restricted stock units outstanding as of December 31, 2008:

| | Number of Shares | Weighted- Average Grant Date Fair Value |
|--|---------------------|---|
| Unvested Restricted Stock Units | | |
| Unvested at January 1, 2008 | - | \$ - |
| Forfeited | - | \$ - |
| Vested | - | \$ - |
| Granted | 30,700 | \$ 24.52 |
| Unvested at December 31, 2008 | 30,700 | \$ 24.52 |

The Company has 4.3 million securities remaining available to be granted as part of the Plan at December 31, 2008.

(18) COMMITMENTS AND CONTINGENT LIABILITIES

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

At December 31, 2008, approximately 60% of the Company's loans are secured by real estate located in central and northern New York and northeastern Pennsylvania. Accordingly, the ultimate collectibility of a substantial portion of the Company's portfolio is susceptible to changes in market conditions of those areas. Management is not aware of any material concentrations of credit to any industry or individual borrowers.

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

The total amount of loans serviced by the Company for unrelated third parties was approximately \$141.4 million and \$125.5 million at December 31, 2008 and 2007, respectively.

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

| <i>(In thousands)</i> | At December 31, | |
|--|-----------------|------------|
| | 2008 | 2007 |
| Unused lines of credit | \$ 146,942 | \$ 151,945 |
| Commitments to extend credits, primarily variable rate | 390,678 | 394,842 |
| Standby letters of credit | 27,631 | 27,545 |
| Loans sold with recourse | 11,233 | 8,876 |

The Company does not issue any guarantees that would require liability-recognition or disclosure, other than its standby letters of credit.

The Company guarantees the obligations or performance of customers by issuing stand-by letters of credit to third parties. These stand-by letters of credit are frequently issued in support of third party debt, such as corporate debt issuances, industrial revenue bonds, and municipal securities. The risk involved in issuing stand-by letters of credit is essentially the same as the credit risk involved in extending loan facilities to customers, and they are subject to the same credit origination, portfolio maintenance and management procedures in effect to monitor other credit and off-balance sheet products. Typically, these instruments have terms of five years or less and expire unused; therefore, the total amounts do not necessarily represent future cash requirements. The fair value of the Company's stand-by letters of credit at December 31, 2008 and 2007 was not significant.

(19) PARENT COMPANY FINANCIAL INFORMATION

| (In thousands) | December 31, | |
|--|-------------------|-------------------|
| | 2008 | 2007 |
| Assets | | |
| Cash and cash equivalents | \$ 10,846 | \$ 4,004 |
| Securities available for sale, at estimated fair value | 9,779 | 10,737 |
| Investment in subsidiaries, on equity basis | 517,541 | 463,470 |
| Other assets | 40,531 | 27,545 |
| Total assets | <u>\$ 578,697</u> | <u>\$ 505,756</u> |
| Liabilities and Stockholders' Equity | | |
| Total liabilities | \$ 146,852 | \$ 108,456 |
| Stockholders' equity | 431,845 | 397,300 |
| Total liabilities and stockholders' equity | <u>\$ 578,697</u> | <u>\$ 505,756</u> |

| (In thousands) | Years ended December 31, | | |
|--|--------------------------|------------------|------------------|
| | 2008 | 2007 | 2006 |
| Dividends from subsidiaries | \$ 42,900 | \$ 61,500 | \$ 26,000 |
| Management fee from subsidiaries | 59,102 | 57,135 | 59,933 |
| Securities gains | 1,514 | 67 | - |
| Interest and other dividend income | 1,026 | 917 | 951 |
| Total revenue | 104,542 | 119,619 | 86,884 |
| Operating expense | 65,180 | 57,846 | 60,180 |
| Income before income tax (benefit) expense and equity in undistributed income of subsidiaries (excess distributions by subsidiaries over income) | 39,362 | 61,773 | 26,704 |
| Income tax benefit (expense) | 1,016 | (392) | 301 |
| Equity in undistributed income of subsidiaries (excess distributions by subsidiaries over income) | 17,975 | (11,053) | 28,942 |
| Net income | <u>\$ 58,353</u> | <u>\$ 50,328</u> | <u>\$ 55,947</u> |

| (In thousands) | Years ended December 31, | | |
|---|--------------------------|-----------|-----------|
| | 2008 | 2007 | 2006 |
| Operating activities | | | |
| Net income | \$ 58,353 | \$ 50,328 | \$ 55,947 |
| Adjustments to reconcile net income to net cash provided by operating activities | | | |
| Impairment of available-for-sale securities | 162 | - | - |
| Stock-based compensation | 2,213 | 2,831 | 2,509 |
| (Gain) loss on sales of available-for-sale securities | (1,514) | (68) | 40 |
| (Equity in undistributed income of subsidiaries) excess distributions by subsidiaries over income | (17,975) | 11,053 | (28,942) |
| Net change in other liabilities | 24,494 | (2,215) | 4,026 |
| Net change in other assets | (24,450) | (2,845) | (13,091) |
| Net cash provided by operating activities | 41,283 | 59,084 | 20,489 |
| Investing activities | | | |
| Cash used in CNB Bancorp, Inc. merger | - | - | (39,037) |
| Cash used in Mang Insurance Agency, LLC acquisition | (26,233) | - | - |
| Purchases of available-for-sale securities | (5,934) | (1,500) | (96) |
| Sales and maturities of available-for-sale securities | 5,660 | 1,159 | 350 |
| (Purchases) disposals of premises and equipment | (445) | 433 | 1,262 |
| Net cash (provided by) used in investing activities | (26,952) | 92 | (37,521) |
| Financing activities | | | |
| Proceeds from the issuance of shares to employee benefit plans and other stock plans | 10,489 | 4,353 | 13,077 |
| Payments on long-term debt | (1,365) | (111) | (104) |
| Proceeds from the issuance of long-term debt | 13,750 | - | - |
| Proceeds from the issuance of trust preferred debentures | - | - | 51,547 |
| Purchases of treasury shares | (5,939) | (48,957) | (17,111) |
| Cash dividends and payments for fractional shares | (25,830) | (26,226) | (26,018) |
| Excess tax benefit from exercise of stock options | 1,406 | 715 | 466 |
| Net cash (used in) provided by financing activities | (7,489) | (70,226) | 21,857 |
| Net increase (decrease) in cash and cash equivalents | 6,842 | (11,050) | 4,825 |
| Cash and cash equivalents at beginning of year | 4,004 | 15,054 | 10,229 |
| Cash and cash equivalents at end of year | \$ 10,846 | \$ 4,004 | \$ 15,054 |

A statement of changes in stockholders' equity has not been presented since it is the same as the consolidated statement of changes in stockholders' equity previously presented.

(20) FAIR VALUES OF FINANCIAL INSTRUMENTS

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

SHORT TERM INSTRUMENTS

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

SECURITIES

Fair values for securities are based on quoted market prices or dealer quotes, where available. Where quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. When necessary, the Company utilizes matrix pricing from third party pricing vendor to determine fair value pricing. Matrix prices are based on quoted prices for securities with similar coupons, ratings, and maturities, rather than on specific bids and offers for the designated security.

LOANS

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

DEPOSITS

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

LONG-TERM DEBT

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

COMMITMENTS TO EXTEND CREDIT AND STANDBY LETTERS OF CREDIT

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

TRUST PREFERRED DEBENTURES

The fair value of trust preferred debentures has been estimated using a discounted cash flow analysis.

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

| (In thousands) | 2008 | | 2007 | |
|--------------------------------|-----------------|----------------------|-----------------|----------------------|
| | Carrying amount | Estimated fair value | Carrying amount | Estimated fair value |
| Financial assets | | | | |
| Cash and cash equivalents | \$ 110,396 | \$ 110,396 | \$ 162,946 | \$ 162,946 |
| Securities available for sale | 1,119,665 | 1,119,665 | 1,140,114 | 1,140,114 |
| Securities held to maturity | 140,209 | 141,308 | 149,111 | 149,519 |
| Loans (1) | 3,651,911 | 3,650,428 | 3,455,851 | 3,376,001 |
| Less allowance for loan losses | 58,564 | - | 54,183 | - |
| Net loans | 3,593,347 | 3,650,428 | 3,401,668 | 3,376,001 |
| Accrued interest receivable | 22,746 | 22,746 | 24,672 | 24,672 |
| Financial liabilities | | | | |
| Savings, NOW, and money market | \$ 1,885,551 | \$ 1,885,551 | \$ 1,614,289 | \$ 1,614,289 |
| Time deposits | 1,352,212 | 1,367,425 | 1,591,106 | 1,590,158 |
| Noninterest bearing | 685,495 | 685,495 | 666,698 | 666,698 |
| Short-term borrowings | 206,492 | 206,492 | 368,467 | 368,467 |
| Long-term debt | 632,209 | 660,246 | 424,887 | 427,847 |
| Accrued interest payable | 8,709 | 8,709 | 13,938 | 13,938 |
| Trust preferred debentures | 75,422 | 79,411 | 75,422 | 74,848 |

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

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

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

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 December 31, 2008 |
|-------------------------------|---|---|---|------------------------------------|
| Assets: | | | | |
| Securities Available for Sale | \$ 8,846 | \$ 1,110,819 | \$ - | \$ 1,119,665 |
| Total | \$ 8,846 | \$ 1,110,819 | \$ - | \$ 1,119,665 |

Fair values for securities are based on quoted market prices or dealer quotes, where available. Where quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. When necessary, the Company utilizes matrix pricing from a third party pricing vendor to determine fair value pricing. Matrix prices are based on quoted prices for securities with similar coupons, ratings, and maturities, rather than on specific bids and offers for the designated security.

SFAS No. 157 requires disclosure of assets and liabilities measured and recorded at fair value on a nonrecurring basis. In accordance with the provisions of SFAS No. 114, the Company had collateral dependent impaired loans with a carrying value of approximately \$6.2 million which had specific reserves included in the allowance for loan and lease losses of \$0.6 million at December 31, 2008. During the year ended December 31, 2008, the Company established specific reserves of approximately \$1.3 million, which were included in the provision for loan and lease losses. 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.

Simultaneously with the adoption of SFAS No. 157, the Company adopted SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS No. 159"), effective January 1, 2008. SFAS No. 159 gives entities the option to measure eligible financial assets, financial liabilities and Company commitments at fair value (i.e., the fair value option), on an instrument-by-instrument basis, that are otherwise not permitted to be accounted for at fair value under other accounting standards. The election to use the fair value option is available when an entity first recognizes a financial asset or financial liability or upon entering into a Company commitment. Subsequent changes in fair value must be recorded in earnings. Additionally, SFAS No. 159 allows for a one-time election for existing positions upon adoption, with the transition adjustment recorded to beginning retained earnings. SFAS No. 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value and does not eliminate disclosure requirements included in other accounting standards. As of December 31, 2008, the Company has not elected the fair value option for any eligible items.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

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

Management Report on Internal Controls Over Financial Reporting

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

As of December 31, 2008, management assessed the effectiveness of the Company’s internal control over financial reporting based on the criteria for effective internal control over financial reporting established in “Internal Control — Integrated Framework,” issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Based on the assessment, management determined that the Company maintained effective internal control over financial reporting as of December 31, 2008, based on those criteria.

KPMG LLP, the independent registered public accounting firm that audited the consolidated financial statements of the Company included in this Annual Report on Form 10-K, has issued a report on the effectiveness of the Company’s internal control over financial reporting as of December 31, 2008. The report, which expresses an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting as of December 31, 2008, is included in this Item under the heading “Report of Independent Registered Public Accounting Firm.”

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of NBT Bancorp Inc.:

We have audited NBT Bancorp, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying *Management's report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the criteria established in *Internal Control — Integrated Framework* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of NBT Bancorp Inc. and subsidiaries as of December 31, 2008 and 2007 and the related consolidated statements of income, changes in stockholders' equity, cash flows, and comprehensive income for each of the years in the three-year period ended December 31, 2008, and our report dated February 27, 2009 expressed an unqualified opinion on those financial statements.

/s/ KPMG LLP

Albany, NY
February 27, 2009

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is incorporated herein by reference to the Company’s definitive Proxy Statement for its annual meeting of shareholders to be held on May 5, 2009 (the “Proxy Statement”), which will be filed with the Securities and Exchange Commission within 120 days of the Company’s 2008 fiscal year end.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated herein by reference to the Proxy Statement which will be filed with the Securities and Exchange Commission within 120 days of the Company’s 2008 fiscal year end.

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

The information required by this item is incorporated herein by reference to the Proxy Statement which will be filed with the Securities and Exchange Commission within 120 days of the Company's 2008 fiscal year end.

ITEM 13. CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated herein by reference to the Proxy Statement which will be filed with the Securities and Exchange Commission within 120 days of the Company's 2008 fiscal year end.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated herein by reference to the Proxy Statement which will be filed with the Securities and Exchange Commission within 120 days of the Company's 2008 fiscal year end.

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

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

Report of Independent Registered Public Accounting Firm.

Consolidated Balance Sheets as of December 31, 2008 and 2007.

Consolidated Statements of Income for each of the three years ended December 31, 2008, 2007 and 2006.

Consolidated Statements of Changes in Stockholders' Equity for each of the three years ended December 31, 2008, 2007 and 2006.

Consolidated Statements of Cash Flows for each of the three years ended December 31, 2008, 2007 and 2006.

Consolidated Statements of Comprehensive Income for each of the three years ended December 31, 2008, 2007 and 2006.

Notes to the Consolidated Financial Statements.

(a)(2) There are no financial statement schedules that are required to be filed as part of this form since they are not applicable or the information is included in the consolidated financial statements.

(a)(3) See below for all exhibits filed herewith and the Exhibit Index.

| | |
|-----------------------|--|
| 3.1 | Certificate of Incorporation of NBT Bancorp Inc. as amended through July 23, 2001. |
| 3.2 | By-laws of NBT Bancorp Inc. as amended and restated through July 23, 2001. |
| 3.3 | Rights Agreement, dated as of November 15, 2004, between NBT Bancorp Inc. and Registrar and Transfer Company, as Rights Agent (filed as Exhibit 4.1 to Registrant's Form 8-K, file number 0-14703, filed on November 18, 2004, and incorporated by reference herein). |
| 3.4 | Certificate of Designation of the Series A Junior Participating Preferred Stock (filed as Exhibit A to Exhibit 4.1 of the Registration's Form 8-K, file Number 0-14703, filed on November 18, 2004, and incorporated herein by reference). |
| 4.1 | Specimen common stock certificate for NBT's common stock (filed as exhibit 4.1 to the Registrant's Amendment No. 1 to Registration Statement on Form S-4 filed on December 27, 2005 and incorporated herein by reference). |
| 10.1 | NBT Bancorp Inc. 1993 Stock Option Plan (filed as Exhibit 99.1 to Registrant's Form S-8 Registration Statement, file number 333-71830 filed on October 18, 2001 and incorporated by reference herein). |
| 10.2 | NBT Bancorp Inc. Non-Employee Director, Divisional Director and Subsidiary Director Stock Option Plan (filed as Exhibit 99.1 to Registrant's Form S-8 Registration Statement, file number 333-73038 filed on November 9, 2001 and incorporated by reference herein). |
| 10.3 | CNB Bancorp, Inc. Stock Option Plan. |
| 10.4 | NBT Bancorp Inc. Employee Stock Purchase Plan. |
| 10.5 | NBT Bancorp Inc. Non-employee Directors Restricted and Deferred Stock Plan. |
| 10.6 | NBT Bancorp Inc. Performance Share Plan. |
| 10.7 | NBT Bancorp Inc. 2009 Executive Incentive Compensation Plan. |
| 10.8 | CNB Bancorp, Inc. Long-Term Incentive Compensation Plan. |
| 10.9 | 2006 Non-Executive Restricted Stock Plan (filed as Exhibit 99.1 to Registrant's Form S-8 Registration Statement, file number 333-139956, filed on January 12, 2007, and incorporated herein by reference). |
| 10.10 | Supplemental Retirement Agreement between NBT Bancorp Inc., NBT Bank, National Association and Daryl R. Forsythe as amended and restated Effective January 1, 2005. (filed as Exhibit 10.11 to Registrant's Form 10-K for the year ended December 31, 2005, filed on March 15, 2006 and incorporated herein by reference). |

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| 10.11 | Death Benefits Agreement between NBT Bancorp Inc., NBT Bank, National Association and Daryl R. Forsythe made August 22, 1995 (filed as Exhibit 10.12 to Registrant's Form 10-K for the year ended December 31, 2005, filed on March 15, 2006 and incorporated herein by reference). |
| 10.12 | Amendment dated January 28, 2002 to Death Benefits Agreement between NBT Bancorp Inc., NBT Bank, National Association and Daryl R. Forsythe made August 22, 1995. |
| 10.13 | Form of Employment Agreement between NBT Bancorp Inc. and Martin A. Dietrich as amended and restated January 1, 2006 (filed as Exhibit 10.1 to Registrant's Form 10-Q for the quarterly period ended March 31, 2006, filed on May 9, 2006 and incorporated herein by reference). |
| 10.14 | Supplemental Executive Retirement Agreement between NBT Bancorp Inc. and Martin A. Dietrich as amended and restated January 20, 2006 (filed as Exhibit 10.16 to Registrant's Form 10-K for the year ended December 31, 2005, filed on March 15, 2006 and incorporated herein by reference). |
| 10.15 | First Amendment to Supplemental Executive Retirement Agreement between NBT Bancorp Inc. and Martin A. Dietrich effective January 1, 2006 (filed as Exhibit 10.2 to Registrant's Form 10-Q for the quarterly period ended March 31, 2006, filed on May 9, 2006 and incorporated herein by reference). |
| 10.16 | Change in control agreement with Martin A. Dietrich as amended and restated July 23, 2001. |
| 10.17 | Form of Employment Agreement between NBT Bancorp Inc. and Michael J. Chewens as amended and restated January 1, 2005 (filed as Exhibit 10.18 to Registrant's Form 10-K for the year ended December 31, 2005, filed on March 15, 2006 and incorporated herein by reference). |
| 10.18 | Supplemental Executive Retirement Agreement between NBT Bancorp Inc. and Michael J. Chewens made as of July 23, 2001. |
| 10.19 | Change in control agreement with Michael J. Chewens as amended and restated July 23, 2001. |
| 10.20 | Form of Employment Agreement between NBT Bancorp Inc. and David E. Raven as amended and restated January 1, 2005 (filed as Exhibit 10.21 to Registrant's Form 10-K for the year ended December 31, 2005, filed on March 15, 2006 and incorporated herein by reference). |
| 10.21 | Change in control agreement with David E. Raven as amended and restated July 23, 2001. |
| 10.22 | Supplemental Executive Retirement Agreement between NBT Bancorp Inc. and David E. Raven made as of January 1, 2004 (filed as Exhibit 10.35 to Registrant's Form 10-K for the year ended December 31, 2003, filed on March 15, 2004 and incorporated herein by reference). |
| 10.23 | Form of Employment Agreement between NBT Bancorp Inc. and Jeff Levy made as of April 23, 2007 (filed as Exhibit 10.27 to Registrant's Form 10-K for the year ended December 31, 2007, filed on February 29, 2008 and incorporated herein by reference). |
| 10.24 | Change in control agreement with Jeff Levy dated April 23, 2007 (filed as Exhibit 10.28 to Registrant's Form 10-K for the year ended December 31, 2007, filed on February 29, 2008 and incorporated herein by reference). |
| 10.25 | First Amendment to the Supplemental Executive Retirement Agreement between NBT Bancorp Inc. and Michael J. Chewens effective January 1, 2005. |
| 10.26 | Second Amendment to the Supplemental Executive Retirement Agreement between NBT Bancorp Inc. and Martin A. Dietrich effective January 1, 2005. |
| 10.27 | First Amendment to the Supplemental Executive Retirement Agreement between NBT Bancorp Inc. and David E. Raven effective January 1, 2005. |
| 10.28 | Amendment dated November 13, 2008 to Form of Employment Agreement as amended between NBT Bancorp Inc. and Michael J. Chewens restated January 1, 2005 (filed as Exhibit 10.18 to Registrant's Form 10-K for the year ended December 31, 2005, filed on March 15, 2006 and incorporated herein by reference) and Change in Control Agreement with Michael J. Chewens as amended and restated July 23, 2001 (filed as Exhibit 10.1 to Registrant's Form 10-Q for the quarterly period ended September 30, 2001, filed on November 14, 2001 and incorporated herein by reference). |
| 10.29 | Amendment dated November 13, 2008 to Form of Employment Agreement as amended between NBT Bancorp Inc. and Martin A. Dietrich restated January 1, 2006 (filed as Exhibit 10.1 to Registrant's Form 10-Q for the quarterly period ended March 31, 2006, filed on May 9, 2006 and incorporated herein by reference) and Change in Control Agreement with Martin A. Dietrich as amended and restated July 23, 2001 (filed as Exhibit 10.3 to Registrant's Form 10-Q for the quarterly period ended September 30, 2001, filed on November 14, 2001 and incorporated herein by reference). |
| 10.30 | Amendment dated November 13, 2008 to Form of Employment Agreement as amended between NBT Bancorp Inc. and David E. Raven restated January 1, 2005 (filed as Exhibit 10.21 to Registrant's Form 10-K for the year ended December 31, 2005, filed on March 15, 2006 and incorporated herein by reference) and Change in Control Agreement with David E. Raven as amended and restated July 23, 2001 (filed as Exhibit 10.7 to Registrant's Form 10-Q for the quarterly period ended September 30, 2001, filed on November 14, 2001 and incorporated herein by reference). |
| 10.31 | Split-Dollar Agreement between NBT Bancorp Inc., NBT Bank, National Association and Martin A. Dietrich made November 10, 2008 (filed as Exhibit 10.1 to Registrant's Form 10-Q for the quarterly period ended September 30, 2008, filed on November 10, 2008 and incorporated herein by reference). |

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| 10.32 | NBT Bancorp Inc. 2008 Omnibus Incentive Plan (filed as Appendix A of Registrant's Definitive Proxy Statement on Form 14A filed on March 31, 2008, and incorporated herein by reference). |
| 10.33 | Description of Arrangement for Directors Fees. |
| 10.34 | Third Amendment to the Supplemental Executive Retirement Agreement between NBT Bancorp, Inc. and Martin A. Dietrich effective January 20, 2006. |
| 21 | A list of the subsidiaries of the Registrant. |
| 23 | Consent of KPMG LLP. |
| 31.1 | Certification by the Chief Executive Officer pursuant to Rules 13(a)-14(a)/15(d)-14(e) of the Securities and Exchange Act of 1934. |
| 31.2 | Certification by the Chief Financial Officer pursuant to Rules 13(a)-14(a)/15(d)-14(e) of the Securities and Exchange Act of 1934. |
| 32.1 | Certification by the Chief Executive Officer pursuant to 18 U.S.C 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of the Chief Financial Officer pursuant to 18 U.S.C 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| (b) | Exhibits to this Form 10-K are attached or incorporated herein by reference as noted above. |
| (c) | Not applicable |

SIGNATURES

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

NBT BANCORP INC. (Registrant)

March 2, 2009

/s/ Martin A. Dietrich

Martin A. Dietrich
Chief Executive Officer

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

/s/ Daryl R. Forsythe

Daryl R. Forsythe
Chairman and Director

Date: March 2, 2009

/s/ Martin A. Dietrich

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

Date: March 2, 2009

/s/ John C. Mitchell

John C. Mitchell, Director

Date: March 2, 2009

/s/ Joseph G. Nasser

Joseph G. Nasser, Director

Date: March 2, 2009

/s/ William C. Gumble

William C. Gumble, Director

Date: March 2, 2009

/s/ Richard Chojnowski

Richard Chojnowski, Director

Date: March 2, 2009

/s/ Michael M. Murphy

Michael M. Murphy, Director

Date: March 2, 2009

/s/ Michael J. Chewens

Michael J. Chewens

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

Date: March 2, 2009

/s/ William L. Owens

William L. Owens, Director

Date: March 2, 2009

/s/ Joseph A. Santangelo

Joseph A. Santangelo, Director

Date: March 2, 2009

/s/ Robert A. Wadsworth

Robert A. Wadsworth, Director

Date: March 2, 2009

/s/ Patricia T. Civil

Patricia T. Civil, Director

Date: March 2, 2009

**STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 09:00 AM 07/26/2001
010362912 - 2080266**

RESTATED
CERTIFICATE OF INCORPORATION
OF
NBT BANCORP INC.

Pursuant to Section 245 of
the General Corporation Law of the State of Delaware

NBT Bancorp Inc. (the "Corporation"), a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "GCL"), in order to restate its Certificate of Incorporation pursuant to Section 245 of the GCL, certifies as follows:

1. The name of the Corporation is NBT Bancorp Inc.
2. The original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on January 3, 1986, under the current name of the Corporation.
3. The restatement of the Certificate of Incorporation of the Corporation, in the manner set forth in Item 6, was duly approved and adopted by a majority of the directors at a regular meeting of the directors duly held on July 23, 2001.
4. The Restated Certificate of Incorporation only restates and integrates and does not further amend the provisions of the Certificate of Incorporation of the Corporation as originally filed and as amended from time to time from its original filing date to the date of the filing of this Restated Certificate of Incorporation; and there is no discrepancy between those provisions and the provisions of this Restated Certificate.
5. This Restated Certificate of Incorporation was duly adopted in accordance with Section 245 of the GCL.
6. The text of the Certificate of Incorporation of the Corporation, as originally filed and as amended from time to time from its original filing date to the date of the filing of this Restated Certificate of Incorporation, is hereby restated in full so as to read in its entirety as follows:

FIRST: The name of the corporation (hereinafter called the Corporation) is NBT BANCORP INC.

SECOND: The address of the registered office of the Corporation in the State of Delaware is 2711 Centerville Road Suite 400, Wilmington, New Castle County, Delaware, 19808; and the name of the registered agent of the Corporation in the State of Delaware at such address is The Prentice-Hall Corporation System, Inc.

THIRD: The nature of the business and the purpose to be conducted and promoted by the Corporation shall be to conduct any lawful business, to promote any lawful purpose, and to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The total number of shares of all classes of capital stock which the Corporation shall have the authority to issue is Fifty-Two Million Five Hundred Thousand (52,500,000) shares consisting of Fifty Million (50,000,000) shares of Common Stock, par value \$.01 per share and Two Million Five Hundred Thousand (2,500,000) shares of Preferred Stock, par value \$.01 per share.

FIFTH: The Board of Directors is authorized, subject to limitations prescribed by law and the provisions of the Article FOURTH, to provide for the issuance of the shares of Preferred Stock in series, and by filing a certificate pursuant to the applicable law of the State of Delaware, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof.

The authority of the Board with respect to each series shall include, but not to be limited to, determination of the following:

- (a) The number of shares constituting that series and the distinctive designation of that series;
- (b) The dividend rate on the shares of that series, whether dividends shall be cumulative, and, if so, from which date or dates, and the relative rights of priority, if any, of payment of dividends on shares of that series;
- (c) Whether that series shall have voting rights, in addition to the voting rights provided by law, and, if so, the terms of such voting rights;
- (d) Whether that series shall have conversion privileges, and, if so, the terms and conditions of such conversion, including provisions for adjustment of the conversion rate in such events as the Board of Directors shall determine;
- (e) Whether or not the shares of that series shall be redeemable, and, if so, the terms and conditions of such redemption, including the date or dates upon or after which they shall be redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;

(f) Whether that series shall have a sinking fund for the redemption or purchase of shares of that series, and, if so, the terms and amount of such sinking fund;

(g) The right of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation, and the relative rights of priority, if any, of payment of shares of that series;

(h) Any other relative rights, preferences and limitations of that series.

Dividends on outstanding shares of Preferred Stock shall be paid or declared and set apart for payment, before any dividends shall be paid or declared and set apart for payment on the Common Stock with respect to the same dividend period.

If upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the assets available for distribution to holders of shares of Preferred Stock of all series shall be insufficient to pay such holders the full preferential amount to which they are entitled, then such assets shall be distributed ratably among the shares of all series of Preferred Stock in accordance with the respective preferential amounts (including unpaid cumulative dividends, if any) payable with respect thereto.

SIXTH: The Corporation is to have perpetual existence.

SEVENTH: The name and the mailing address of the incorporator are as follows:

| <u>NAME</u> | <u>MAILING ADDRESS</u> |
|--------------------|--|
| Everett A. Gilmour | 52 South Broad Street Norwich, New York 13815 |

EIGHTH: For the management of the business and for the conduct of the affairs of the Corporation, and in further definition, limitation and regulation of the powers of the Corporation and of its directors and of its stockholders or any class thereof, as the case may be, it is further provided:

(a) The management of the business and the conduct of the affairs of the Corporation shall be vested in its Board of Directors. The number of directors shall be fixed by, or in the manner provided in, the By-Laws. Directors need not be elected by written ballot, unless so required by the By-Laws of the Corporation.

(b) After the original or other By-Laws of the Corporation have been adopted, amended, or repealed, as the case may be, in accordance with the provisions of Section 109 of the General Corporation Law of the State of Delaware, and after the Corporation has received any payment for any of its stock, the power to adopt, amend, or repeal the By-Laws of the Corporation may be exercised by the Board of Directors of the Corporation.

NINTH: Meetings of stockholders may be held within or without the State of Delaware, as the By-Laws may provide. The books of the Corporation may be kept (subject to any provision contained in the statute) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the By-Laws of the Corporation.

TENTH: From time to time, any of the provisions of this Certificate of Incorporation may be amended, altered or repealed, and other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted, all in the manner now or hereafter prescribed by the laws of the State of Delaware, and all rights and powers at any time conferred upon the stockholders and the directors of the Corporation by this Certificate of Incorporation are granted subject to the provisions of this Article TENTH. The provisions set forth in Article ELEVENTH may not be repealed or amended in any respect, unless such action is approved by the affirmative vote of the holders of not less than eighty percent (80%) of the outstanding shares of Voting Stock (as defined in Article ELEVENTH) of the Corporation; provided, however, if there is a Major Stockholder as defined in Article ELEVENTH, such eighty percent (80%) vote must include the affirmative vote of at least eighty percent (80%) of the outstanding shares of voting stock held by shareholders other than the Major Stockholder.

ELEVENTH

(a) The affirmative vote of the holders of not less than eighty percent (80%) of the total voting power of all outstanding shares entitled to vote in the election of any particular Class of Directors (as defined in Section (e) of this Article ELEVENTH) and held by disinterested shareholders (as defined below) shall be required for the approval or authorization of any "Business Combination," as defined and set forth below:

- (1) Any merger, consolidation or other business reorganization or combination of the Corporation or any of its subsidiaries with any other corporation that is a Major Stockholder of the Corporation;
- (2) Any sale, lease or exchange by the Corporation of all or a substantial part of its assets to or with a Major Stockholder;
- (3) Any issue of any stock or other security of the Corporation or any of its subsidiaries for cash, assets or securities of a Major Stockholder;
- (4) Any reverse stock split of, or exchange of securities, cash or other properties or assets for any outstanding securities of the Corporation or any of its subsidiaries or liquidation or dissolution of the Corporation or any of its subsidiaries in any such case in which a Major Stockholder receives any securities, cash or other assets whether or not different from those received or retained by any holder of securities of the same class as held by such Major Shareholder.

The affirmative vote required by this Article ELEVENTH shall be in addition to the vote of the holders of any class or series of stock of the Corporation otherwise required by law, by any other Article of this Certificate of Incorporation or as this Certificate of Incorporation may be amended, by any resolution of the Board of Directors providing for the issuance of a class or series of stock, or by any agreement between the Corporation and any national securities exchange.

(b) For the purpose of this Article ELEVENTH:

(1) The term "Major Stockholder" shall mean and include any person, corporation, partnership, or other person or entity which, together with its "Affiliates" and "Associates" (as defined at Rule 12b-2 under the Securities Exchange Act of 1934), "beneficially owns" (as hereinafter defined) in the aggregate five percent (5%) or more of the outstanding shares of Voting Stock, and any Affiliates or Associates of any such person, corporation, partnership, or other person or entity.

(2) The term "Substantial Part" shall mean more than twenty-five percent (25%) of the fair market value of the total consolidated assets of the Corporation in question or more than twenty-five percent (25%) of the aggregate par value of authorized and issued Voting Stock of the Corporation in question, as of the end of its most recent fiscal quarter ending prior to the time the determination is being made.

(3) The term "Voting Stock" shall mean the stock of Corporation entitled to vote in the election of directors.

(4) The term "Beneficial Owner" shall mean any person and certain related parties, directly or indirectly, who own shares or have the right to acquire or vote shares of the company.

(5) The term "Disinterested Shareholder" shall mean any holder of voting securities of the company other than (i) a Major Stockholder if it or any of them has a financial interest in the transaction being voted on (except for a financial interest attributable solely to such person's interest as a stockholder of the company which is identical to the interests of all stockholders of the same class) and (ii) in the context of a transaction described in (a) (4) above, any Major Stockholder (whether or not having a financial interest described in clause (i) of this sentence) if it or any of them has directly or indirectly proposed the transaction, solicited proxies to vote in favor of the transaction, financed any such solicitation of proxies or entered into any contract, arrangement, or understanding with any person for the voting of securities of the company in favor of the transaction.

(c) The provisions of this Article shall not apply to a Business Combination which is approved by sixty-six and two-thirds percent (66-2/3%) of those members of the Board of Directors who were directors prior to the time when the Major Stockholder became a Major Stockholder. The provisions of this Article shall not apply to a Business Combination which (i) does not change any stockholder's percentage ownership in the shares of stock entitled to vote in the election of directors of any successor of the Corporation from the percentage of the shares of Voting Stock owned by such stockholder; (ii) provides for the provisions of this Article without any amendment, change, alteration, or deletion, to apply to any successor to the Corporation; and (iii) does not transfer all or a Substantial Part of the Corporation's assets or Voting Stock other than to a wholly-owned subsidiary of the Corporation.

(d) Nothing contained in the Article shall be construed to relieve a Major Stockholder from any fiduciary obligation imposed by law. In addition, nothing contained in this Article shall prevent any stockholders of the Corporation from objecting to any Business Combination and from demanding any appraisal rights which may be available to such stockholder.

(e) The Board of Directors of the Corporation shall be divided into three classes: Class 1, Class 2 and Class 3, which shall be as nearly equal as possible. Each Director shall serve for a term ending on the date of the third Annual Meeting of Shareowners following the Annual Meeting at which such Director was elected; provided, however, that each initial Director in Class 1 shall hold office until the Annual Meeting of Shareowners in 1987; each initial Director in Class 2 shall hold office until the Annual Meeting of Shareowners in 1988; and each initial Director in Class 3 shall hold office until the Annual Meeting of Shareowners in 1989. Such initial Directors for each of the three Classes of Directors shall be as follows: Class 1 - John M. Kolbas and Paul O. Stillman; Class 2 - Donald E. Stone, Darryl R. Gregson and Paul R. Enggaard; Class 3 - Everett A. Gilmour, J. K. Weinman and Thomas J. Mirabito. In the event of any increase or decrease in the authorized number of Directors, (1) each Director then serving as such nevertheless continue as a Director of the Class of which he is a member until the expiration of his current term, or his earlier resignation, removal from office or death, and (2) the newly created or eliminated directorships resulting from such increase or decrease shall be appointed by the Board of Directors among the three Classes of Directors so as to maintain such Classes as nearly equal as possible. Notwithstanding any of the foregoing provisions of this Article Eleventh, each Director shall serve until his successor is elected and qualified or until his earlier resignation, removal from office or death.

TWELFTH: A director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, as the same exists or hereafter may be amended, or (iv) for any transaction from which the director derived an improper personal benefit. If the Delaware General Corporation Law hereafter is amended to authorize the further elimination or limitation of the liability of directors, then the liability of a director of the corporation, in addition to the limitation on personal liability provided herein, shall be limited to the fullest extent permitted by the amended Delaware General Corporation Law. Any repeal or modification of this paragraph by the stockholders of the corporation shall be prospective only, and shall not adversely affect any limitation on the personal liability of a director of the corporation existing at the time of such repeal or modification.

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**BY-LAWS OF
NBT BANCORP INC.**
(herein called the "Corporation")

ARTICLE I. OFFICES

Section 1. Principal Office. The principal office of the Corporation shall be at:

52 South Broad Street
Norwich, New York 13815

or such other place as the Board of Directors may designate.

Section 2. Other Offices. In addition to its principal office, the Corporation may have offices at such other places, within or without the State of Delaware, as the Board of Directors may from time to time appoint or as the business of the Corporation may require.

ARTICLE II. STOCKHOLDERS

Section 1. Annual Meetings. The annual meeting of the stockholders of the Corporation, for the purpose of electing directors for the ensuing year and for the transaction of such other business as may properly come before the meeting, shall be held at such time as may be specified by the Board of Directors.

Section 2. Special Meetings. A special meeting of the stockholders may be called at any time by the Board of Directors or by the Chairman of the Board of Directors, or, if there is none, by the President, or by the holders of not less than one-half of all the shares entitled to vote at such meeting.

Section 3. Place of Meetings. Each annual meeting of the stockholders shall be held at the principal office of the Corporation, or at such other place, within or without the State of Delaware, as the Board of Directors may designate in calling such meeting.

Section 4. Notice of Meetings. Written notice of each annual and each special meeting of the stockholders shall be given by or at the direction of the officer or other person calling the meeting. Such notice shall state the purpose or purposes for which the meeting is called, the time when and the place where it is to be held, and such other information as may be required by law. Except as otherwise required by law, a copy thereof shall be delivered personally, mailed in a postage prepaid envelope or transmitted electronically or by telegraph, cable or wireless, not less than ten (10) days nor more than sixty (60) days before such meeting to each stockholder of record entitled to vote at such meeting; and if mailed, it shall be directed to such stockholder at his address as it appears on the stock transfer books of the Corporation, unless he shall have filed with the Secretary of the Corporation a written request that notices intended for him be mailed to the address designated in such request. Notwithstanding the foregoing, a waiver of any notice herein or by law required, if in writing and signed by the person entitled to such notice, whether before or after the time of the event for which notice was required to be given, shall be the equivalent of the giving of such notice. A stockholder who attends shall be deemed to have had timely and proper notice of the meeting, unless he attends for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Notice of any adjourned or recessed meeting need not be given if the time and place thereof are announced at the meeting at which the adjournment or recess is taken, unless the adjournment or recess is for more than 30 days, or if after the adjournment or recess a new record date is fixed for the adjourned or recessed meeting.

Section 5. Quorum. Except as otherwise provided by law, at any meeting of the stockholders of the Corporation, the presence in person or by proxy of the holders of a majority of the total number of issued and outstanding shares of Common Stock of the Corporation shall constitute a quorum for the transaction of business. In the absence of a quorum, a majority in voting power of the stockholders present in person or represented by proxy and entitled to vote may adjourn the meeting from time to time and from place to place until a quorum is obtained. At any such adjourned meeting at which a quorum is present any business may be transacted which might have been transacted at the meeting as originally called.

Section 6. Organization. At every meeting of the stockholders, the Chairman of the Board, or failing him the President, or, in the absence of the Chairman of the Board and the President, a person chosen by a majority vote of the stockholders present in person or by proxy and entitled to vote, shall act as Chairman of the meeting. The Secretary, or an Assistant Secretary, or, in the discretion of the Chairman, any person designated by him, shall act as a secretary of the meeting.

Section 7. Inspections. The directors, in advance of any meeting, shall appoint one or more inspectors of election to act at the meeting or any adjournment thereof. In case any person who may be appointed as an inspector fails to appear or act, the vacancy may be filled by appointment made by the directors in advance of the meeting or at the meeting by the person presiding thereat. Each inspector, before entering upon discharge of his duties, shall take and sign an oath to execute faithfully the duties of inspector at such meeting with strict impartiality and according to the best of his ability. The inspector or inspectors shall determine the number of shares of stock outstanding and the voting power of each, the shares of stock represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive and count votes, ballots or consents and hear and determine all challenges and questions arising in connection with the right to vote. The inspectors shall certify their determination of the number of shares represented at the meeting, and their count of all votes and ballots, and shall make a report in writing of any challenge, question or matter determined by him or them and execute a certificate of any fact found by him or them.

Section 8. Business and Order of Business. At each meeting of the stockholders such business may be transacted as may properly be brought before such meeting, whether or not such business is stated in the notice of meeting or in a waiver of notice thereof, except as expressly provided otherwise by law or by these By-Laws. The order of business at all meetings of stockholders shall be as follows:

1. Call to order.
2. Selection of secretary of the meeting.
3. Determination of quorum.
4. Appointment of voting inspectors.
5. If the meeting of stockholders is for the election of directors, the nomination and election of directors.
6. Other business.

For other business to be properly brought before an annual meeting of stockholders, the stockholder seeking to bring such other business before the meeting must have given timely notice thereof in writing to the President of the Corporation, and such business must be a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to or mailed, postage prepaid, and received by the President at the principal executive offices of the Corporation at least 60 days but no more than 90 days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 90th day prior to such annual meeting and not later than the close of business on the later of the 60th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made by the Corporation. Such stockholder's notice shall set forth (a) a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting, and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made, and (b) as to the stockholder giving notice and the beneficial owner, if any, on whose behalf the proposal is made, (I) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, and (II) the class and number of shares of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

Notwithstanding the foregoing provisions of this Section 8, a stockholder seeking to bring such other business before the meeting shall also comply with all applicable requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder with respect to the matters set forth in this Section 8. Nothing in this Section 8 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Securities Exchange Act of 1934.

Section 9. Voting. Except as otherwise provided by law or by the Certificate of Incorporation, holders of Common Stock of the Corporation shall be entitled to vote upon matters to be voted upon by the stockholders. At each meeting of stockholders held for any purpose, each stockholder of record of stock entitled to vote thereat shall be entitled to vote the shares of such stock standing in his name on the books of the Corporation on the date determined in accordance with Section 11 of this Article II, each such share entitling him to one vote. At all meetings of stockholders for the election of directors, if a quorum is present, a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors shall be sufficient to elect. All other elections and questions shall, unless otherwise provided by law, the Certificate of Incorporation or these By-Laws, or unless a separate vote by a class or series or classes or series is required, be decided by the affirmative vote of a majority in voting power of the shares of stock which are present in person or represented by proxy at the meeting and entitled to vote on the subject matter. The voting shall be by voice or by ballot as the Chairman may decide, except that upon demand for a vote by ballot on any question or election, made by any stockholder or his proxy present and entitled to vote on such question or election, such vote by ballot shall immediately be taken.

Section 10. Voting List. The Secretary of the Corporation shall make, at least ten (10) days before each meeting of stockholders, a complete list of the stockholders entitled to vote at any such meeting or any adjournment thereof, with the address of and the number of shares registered in the name of each stockholder. Such list shall be opened to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours, at the principal place of business of the Corporation. Such list shall also be produced and kept at the time and place of the meeting during the whole time of the meeting and shall be subject to inspection by any stockholder who is present. The original stock transfer books shall be prima facie evidence as to who are the stockholders entitled to examine such list or transfer books or to vote at any meeting of stockholders.

If the requirements of this Section 10 have not been substantially complied with, the meeting shall, on the demand of any stockholder in person or by proxy, be adjourned until the requirements are complied with.

Section 11. Record Dates. (a) In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action other than stockholder action by written consent, the Board of Directors may fix a record date, which shall not precede the date such record date is fixed and shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any such other action. If no record date is fixed, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given and the record date for any purpose other than stockholder action by written consent shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than 10 days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the Secretary, request the Board of Directors to fix a record date. The Board of Directors shall promptly, but in all events within 10 days after the date on which such a request is received, adopt a resolution fixing the record date. If no record date has been fixed by the Board of Directors within 10 days after the date on which such a request is received, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or any officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by applicable law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the date on which the Board of Directors adopts the resolution taking such prior action.

Section 12. Adjournment. Any meeting of stockholders, annual or special, may adjourn from time to time to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 13. Action by Stockholders Without a Meeting. Any action required or permitted to be taken at any annual or special meeting of stockholders of the Corporation may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business or to an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. Prompt notice of the taking of any action by written consent shall be given to stockholders who have not consented in writing and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for such meeting had been the date that written consents signed by a sufficient number of stockholders to take the action were delivered to the Corporation as provided herein.

Section 14. Proxies. At any meeting of the stockholders, each stockholder entitled to vote thereat may vote either in person or by proxy executed in writing or granted or authorized in such other manner as is permitted under the General Corporation Law of the State of Delaware. Such proxy shall be filed with the Secretary at or before the meeting; provided, however, that no proxy shall be voted or acted upon after eleven months from its date, unless said proxy provides for a longer period. A proxy need not be sealed, witnessed or acknowledged.

ARTICLE III. DIRECTORS

Section 1. General Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors, and all corporate powers shall be exercised by or under the direction of the Board of Directors, except as otherwise expressly required by these By-Laws, by the Certificate of Incorporation or by law.

Section 2. Qualification, Number, Classification and Term of Office. Every director must be a citizen of the United States and have resided in the State of New York, or within two hundred miles of the location of the principal office of the Corporation, for at least one year immediately preceding his election, and must own \$1,000.00 aggregate book value of Corporate Stock. The number of directors shall be not less than five nor more than twenty-five. A Board of Directors shall be elected in the manner provided in these By-Laws. Each director shall have one vote at any directors' meeting.

The Board of Directors shall be divided into three classes: Class 1, Class 2 and Class 3, which shall be as nearly equal in number as possible. Each director shall serve for a term ending on the date of the third Annual Meeting of Shareowners following the Annual Meeting at which such director was elected; provided, however, that each initial director in Class 1 shall hold office until the Annual Meeting of Shareowners in 1987; each initial director in Class 2 shall hold office until the Annual Meeting of Shareowners in 1988; and each initial director in Class 3 shall hold office until the Annual Meeting of Shareowners in 1989.

In the event of any increase or decrease in the authorized number of directors, (1) each director then serving as such shall nevertheless continue as a director of the class of which he is a member until the expiration of his current term, or his earlier resignation, removal from office or death, and (2) the newly created or eliminated directorships resulting from such increase or decrease shall be apportioned by the Board of Directors among the three classes of directors so as to maintain such classes as nearly equal as possible.

Notwithstanding any of the foregoing provisions of this Section 2, each director shall serve until his successor is elected and qualified or until his earlier resignation, removal from office or death.

This Article III, Section 2, shall not be altered, amended or repealed except by an affirmative vote of at least sixty-six and two-thirds percent (66-2/3%) of the total number of shareowners.

Section 3. Election of Directors. At each meeting of the stockholders for the election of directors, a quorum being present, as defined in Section 5 of Article II, the election shall proceed as provided in these By-Laws and under applicable Delaware law. No election need be by written ballot.

If the election of directors shall not be held on the day designated for any annual meeting or at any adjournment of such meeting, the Board of Directors shall cause the election to be held at a special meeting of the stockholders as soon thereafter as may be convenient.

Nominations of candidates for election as directors of the Corporation must be made in writing and delivered to or received by the President of the Corporation within ten days following the day on which public disclosure of the date of any shareholders' meeting called for the election of directors is first given. Such notification shall contain the name and address of the proposed nominee, the principal occupation of the proposed nominee, the number of shares of Common Stock that will be voted for the proposed nominee by the notifying shareowner, including shares to be voted by proxy, the name and residence of the notifying shareowner and the number of shares of Common Stock beneficially owned by the notifying shareowner.

No person shall be eligible for election or re-election as a director if he or she shall have attained the age of 70 years.

Nominations not made in accordance herewith may be disregarded by the Chairman of the meeting.

Section 4. Removal of Directors. Any director may be removed at any time, but only for cause, by the affirmative vote of a majority in voting power of the stockholders of record entitled to elect a successor, and present in person or by proxy at a special meeting of such stockholders for which express notice of the intention to transact such business was given and at which a quorum shall be present.

Section 5. Organization. The Board of Directors, by majority vote, may from time to time appoint a Chairman of the Board who shall preside over its meetings. The period and terms of the appointment shall be determined by the Board of Directors. The Secretary of the Corporation, or an Assistant Secretary, or, in the discretion of the Chairman, any person appointed by him, shall act as secretary of the meeting.

Section 6. Place of Meeting, etc. The Board of Directors may hold its meetings at such place or places within or without the State of Delaware as the Board of Directors may from time to time, by resolution determine, or (unless contrary to resolution of the Board of Directors), at such place as shall be specified in the respective notices or waivers of notice thereof. Unless otherwise restricted by law or by the Certificate of Incorporation, members of the Board of Directors or any committee thereof may participate in a meeting of the Board of Directors such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 6 shall constitute presence at such meeting. The Chairman or any person appointed by him shall act as secretary of the meeting.

Section 7. Annual Meeting. The Board of Directors may meet, without notice of such meeting, for the purpose of organization, the election of officers and the transaction of other business, on the same day as, at the place at which, and as soon as practicable after each annual meeting of stockholders is held. Such annual meeting of directors may be held at any other time or place specified in a notice given as hereinafter provided for special meetings of the Board of Directors, or in a waiver of notice thereof.

Section 8. Regular Meetings. Regular meetings of the Board of Directors may be held at such times and places as may be fixed from time to time by action of the Board of Directors. Unless required by resolution of the Board of Directors, notice of any such meeting need not be given.

Section 9. Special Meetings. Special meetings of the Board of Directors shall be held whenever called by the Chief Executive Officer, or by any three or more directors, or, at the direction of any of the foregoing, by the Secretary. Notice of each such meeting shall be mailed to each director, addressed to him at his residence or usual place of business, not less than three (3) days before the date on which the meeting is to be held; or such notice shall be sent to each director at such place by telegraph, cable, telefax, telephone or wireless, or by electronic mail to an address previously provided by the director to the Corporation for delivery of such notices, in each such case not less than twenty-four (24) hours before the time at which the meeting is to be held. Every such notice shall state the time and place of the meeting. Notice of any adjourned or recessed meeting of the directors need not be given.

Section 10. Waivers of Notice of Meetings. Anything in these By-Laws or in any resolution adopted by the Board of Directors to the contrary notwithstanding, proper notice of any meeting of the Board of Directors shall be deemed to have been given to any director if such notice shall be waived by him in writing (including telegraph, cable, telefax, wireless, or electronic mail) before or after the meeting. A director who attends a meeting shall be deemed to have had timely and proper notice thereof, unless he attends for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called.

Section 11. Quorum and Manner of Acting. A majority of the directors shall constitute a quorum for the transaction of business. Except as may otherwise be expressly provided by these By-Laws, the act of a majority of the directors present at any meeting at which a quorum is present, shall be the act of the Board of Directors. In the absence of a quorum, a majority of the directors present may adjourn the meeting from time to time until a quorum be had. The directors shall act only as a Board and the individual directors shall have no power as such.

Section 12. Resignations. Any director of the Corporation may resign at any time, in writing, by notifying the Chief Executive Officer, or the President or the Secretary of the Corporation. Such resignation shall take effect at the time therein specified; and, unless otherwise specified, the acceptance of such resignation shall not be necessary to make it effective.

Section 13. Manner of Fixing the Number of Directors; Vacancies. The number of directors authorized to serve until the next annual meeting of stockholders of the Corporation shall be the number designated, at the annual meeting and prior to the election of directors, by the stockholders entitled to vote for the election of directors at that meeting. Between annual meetings of the stockholders of the Corporation, the Board of Directors shall have the power to increase, by not more than three (3), the number of directors of the Corporation.

Any vacancy in the Board of Directors, caused by death, resignation, removal, disqualification, increase in the number of directors, or any other cause (other than an increase by more than three (3) in the number of directors), may be filled by the majority vote of the remaining directors then in office, though less than a quorum, at any regular meeting of the Board of Directors. If, at the time of the next election of directors by the stockholders, the term of office of any vacancy filled by the remaining directors has not expired, then the stockholders shall fill such vacancy for the remainder of the unexpired term. Any vacancy, including one caused by an increase in the number of directors, may be filled at a meeting called for such purpose, by vote of the stockholders.

Section 14. Committees. The Board of Directors may designate one or more Committees, each Committee to consist of one or more of the Directors of the Corporation, which to the extent provided in said resolution or resolutions, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation to the fullest extent permitted by law and shall have power to authorize the seal of the Corporation to be affixed to all papers which may require it. Such Committee or Committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors.

In the absence or disqualification of any member of any Committee appointed by the Board, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board to act at a meeting in the place of any such absent or disqualified member, subject, however, to the right of the Board of Directors to designate one or more alternate members of such Committee, which alternate members all have power to serve, subject to such conditions as the Board may prescribe, as a member or members of said Committee during the absence or inability to act of any one or more members of said Committee. The Board of Directors shall have the power at any time to change the membership of any Committee, to fill vacancies in it, or to dissolve it. A Committee may make rules for the conduct of its business and shall act in accordance therewith, except as otherwise provided herein or required by law. A majority of the members of the Committee shall constitute a quorum. A Committee shall keep regular minutes of its proceedings and report the same to the Board when required.

The Chief Executive Officer, if he is a director, shall be a voting member of all Committees of the Board of Directors, except the Risk Management Committee and the Compensation and Benefits Committee.

Section 15. Directors' Action Without a Meeting. Unless otherwise provided by the Certificate of Incorporation, any action required to be taken at a meeting of the directors, or any action which may be taken at a meeting of the directors or of a committee, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed before such action by all the directors, or all the members of the committee, as the case may be. Such consent shall have the same force and effect as a unanimous vote.

Section 16. Compensation. Directors, as such, may receive compensation as fixed by resolution of the Board of Directors, including annual fees for services as directors, and a fixed fee and expenses of attendance, if any, for attendance at each meeting of the Board. The compensation may be in the form of cash, stock of the Corporation, options to purchase stock of the Corporation, or a combination of the foregoing, as the Board in its discretion shall determine. Nothing in this section shall be construed to preclude a Director from serving the Corporation in any other capacity and receiving compensation therefor.

ARTICLE IV. OFFICERS

Section 1. Officers. The officers of the Corporation shall be a Chairman of the Board of Directors, one or more Vice Chairmen of the Board of Directors, a President, a Chief Financial Officer and a Secretary, and where elected, one or more Vice-Presidents, and the holders of such other offices as may be established in accordance with the provisions of Section 3 of this Article. Any two or more offices may be held by the same person; provided only, that the same person shall not hold the offices of Chairman and Secretary.

Section 2. Election, Term of Office and Qualifications. The officers shall be elected annually by the Board of Directors, as soon as practicable after the annual election of directors in each year. Each officer shall hold office until his successor shall have been duly chosen and shall qualify, or until his death, resignation or removal in the manner hereinafter provided.

Section 3. Subordinate Officers. The Board of Directors may from time to time establish offices in addition to those designated in Section 1 of this Article IV with such duties as are provided in these By-Laws, or as they may from time to time determine.

Section 4. **Removal**. Any officer may be removed, either with or without cause, by resolution declaring such removal to be in the best interests of the Corporation and adopted at any regular or special meeting of the Board of Directors by a majority of the directors then in office. Any such removal shall be without prejudice to the recovery of damages for breach of contract rights, if any, of the person removed. Election or appointment of an officer or agent shall not of itself, however, create contract rights.

Section 5. Resignations. Any officer may resign at any time by giving written notice to the Board of Directors or the Chairman of the Board of Directors, the President or the Secretary of the Corporation. Any such resignation shall take effect at the date of receipt of such notice or at any later time therein specified; and, unless otherwise specified, the acceptance of such resignation shall not be necessary to make it effective. However, no resignation hereunder, or the acceptance thereof by the Board of Directors, shall prejudice the contract or other rights, if any, of the Corporation with respect to the person resigning.

Section 6. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled for the unexpired portion of the term by the Board of Directors.

Section 7. Compensation. Salaries or other compensation of the officers may be fixed from time to time by the Board of Directors or in such manner as it shall determine. No officer shall be prevented from receiving his salary by reason of the fact that he is also a director of the Corporation.

Section 8. Chairman of the Board of Directors. Where there is a Chairman of the Board of Directors he shall be an officer and a director; and he may be the Chief Executive Officer of the Corporation and as such may have general supervision of the business of the Corporation, subject, however, to the control of the Board of Directors and of any duly authorized committee of directors. The Chief Executive Officer shall have full power and authority to cast any votes which the Corporation is entitled to cast as a shareholder of another corporation. Where there is no Chairman of the Board, or he is unable to discharge his duties, the powers of the Chairman shall be vested in the President. The Chairman of the Board shall preside at all meetings of stockholders and of the Board of Directors at which he is present.

Section 9. Vice Chairman of the Board of Directors. The Vice Chairman shall be a director of the Corporation. In general, he shall perform all duties incident to the office of Vice Chairman and such other duties as may from time to time be designated to him by the Board of Directors or by any duly authorized committee of directors, and shall have such other powers and authorities as are conferred upon him elsewhere in these By-Laws.

Section 10. President. The President shall be a director and may be the Chief Executive Officer or the Chief Operating Officer of the Corporation. In general, he shall perform all duties incident to the office of the President and such other duties as may from time to time be designated to him by the Board of Directors or by any duly authorized committee of directors, and shall have such other powers and authorities as are conferred upon him elsewhere in these By-Laws.

Section 11. The Vice Presidents. The Vice Presidents shall perform such duties as from time to time may be assigned to them by the Board of Directors, or by any duly authorized committee of directors or by the President, and shall have such other powers and authorities as are conferred upon them elsewhere in these By-Laws.

Section 12. Chief Financial Officer. Except as may otherwise be specifically provided by the Board of Directors or any duly authorized committee thereof, the Chief Financial Officer shall have the custody of, and be responsible for, all funds and securities of the Corporation; receive and receipt for money paid to the Corporation from any source whatsoever; deposit all such monies in the name of the Corporation in such banks, trust companies, or other depositories as shall be selected in accordance with the provisions of these By-Laws; against proper vouchers, cause such funds to be disbursed by check or draft on the authorized depositories of the Corporation signed in such manner as shall be determined in accordance with the provisions of these By-Laws; regularly enter or cause to be entered in books to be kept by him or under his direction, full and adequate accounts of all money received and paid by him for account of the Corporation; in general, perform all duties incident to the office of Chief Financial Officer and such additional duties as are assigned by the General Corporation Law of the State of Delaware to the treasurer of a corporation organized under the laws of the State of Delaware and such other duties as from time to time may be assigned to him by the Board of Directors, or by any duly authorized committee of directors, or by the Chief Executive Officer, and have such other powers and authorities as are conferred upon him elsewhere in these By-Laws.

Section 13. Secretary. The Secretary shall act as Secretary of all meetings of the stockholders and of the Board of Directors of the Corporation; shall keep the minutes thereof in the proper books to be provided for that purpose; shall see that all notices required to be given by the Corporation are duly given and served; shall be the custodian of the seal of the Corporation and may affix the seal or cause it to be affixed to all documents the execution of which on behalf of the Corporation under its seal is duly authorized in accordance with the provisions of these By-Laws; shall have charge of the books, records and papers of the Corporation relating to its organization and management as a corporation, and shall see that any reports or statements relating thereto, required by law or otherwise, are properly kept and filed; shall, in general, perform all the duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Board of Directors, or by any duly authorized committee of directors or by the Chief Executive Officer, and shall have such other powers and authorities as are conferred upon him elsewhere in these By-Laws.

Section 14. Assistant Financial Officers and Assistant Secretaries. The Assistant Financial Officers and Assistant Secretaries shall perform such duties as shall be assigned to them by the Chief Financial Officer and by the Secretary, respectively, or by the Board of Directors, or by any duly authorized committee of directors, or by the Chief Executive Officer, and shall have such other powers and authorities as are conferred upon them elsewhere in these By-Laws.

ARTICLE V. SHARES OF STOCK

Section 1. Regulation. Subject to the terms of any contract of the Corporation, the Board of Directors may make such rules and regulations as it may deem expedient concerning the issue, transfer, and registration of certificates for shares of the stock of the Corporation, including the issue of new certificates for lost, stolen or destroyed certificates and including the appointment of transfer agents and registrars.

Section 2. Stock Certificates. Certificates for shares of the stock of the Corporation shall be respectively numbered serially for each class of shares, or series thereof and, as they are issued, shall be impressed with the corporate seal or a facsimile thereof, and shall be signed by the Chairman of the Board, the Vice Chairman, the President or any Vice President and by the Secretary or any Assistant Secretary, or any two officers of the Corporation designated by the Board of Directors, provided that such signatures may be facsimiles on any certificate countersigned by a transfer agent other than the Corporation or its employee or by a registrar other than the Corporation or its employee. Each certificate shall exhibit the name of the Corporation, the class (or series of any class) and number of shares represented thereby and the name of the holder. Each certificate shall be otherwise in such form as may be prescribed by the Board of Directors.

ARTICLE VI. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 1. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a director or an officer of the Corporation or is or was serving at the request of the Corporation as a director of another corporation or of a partnership, joint venture, trust or other enterprise, or as a plan fiduciary with respect to an employee benefit plan (hereinafter an "indemnatee"), whether the basis of such proceeding is alleged action in an official capacity as a Director, officer, or plan fiduciary or in any other capacity while serving as a Director, officer or plan fiduciary, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended, against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnatee in connection therewith; provided, however, that, except as provided in Section 3 of this Article VI with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnatee in connection with a proceeding (or part thereof) initiated by such indemnatee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation.

Section 2. The right to indemnification conferred in Section 1 of this Article VI shall include the right to be paid by the Corporation the expenses (including attorney's fees) incurred in defending any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses"); provided, however, that, if the Delaware General Corporation Law requires, an advancement of expenses incurred by an indemnatee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnatee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnatee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "final adjudication") that such indemnatee is not entitled to be indemnified for such expenses under this Section 2 or otherwise. The rights to indemnification and to the advancement of expenses conferred in Section 1 and 2 of this Article VI shall be contract rights and such rights shall continue as to an indemnatee who has ceased to be a Director or officer and shall inure to the benefit of the indemnatee's heirs, executors and administrators.

Section 3. If a claim under Sections 1 or 2 of this Article VI is not paid in full by the Corporation within sixty (60) days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty (20) days, the indemnatee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnatee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (i) any suit brought by the indemnatee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnatee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) in any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnatee has not met any applicable standard for indemnification set forth in the Delaware General Corporation Law. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnatee is proper in the circumstances because the indemnatee has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the indemnatee has not met such applicable standard of conduct, shall create a presumption that the indemnatee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnatee, be a defense to such suit. In any suit brought by the indemnatee to enforce a right to indemnification or to an advancement of expenses hereunder, or brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnatee is not entitled to be indemnified, or to such advancement of expenses, under this Article VI or otherwise shall be on the Corporation.

Section 4. The rights to indemnification and to the advancement of expenses conferred in this Article VI shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, the Corporation's Certificate of Incorporation, By-Laws, agreement, vote of stockholders or disinterested Directors or otherwise.

Section 5. The Corporation may maintain insurance, at its expense, to protect itself and any Director, officer, employee or agent of the Corporation or of another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

Section 6. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Corporation, or any person serving at the request of the Corporation as an officer, employee or agent of another entity, to the fullest extent of the provisions of this Section with respect to the indemnification and advancement of expenses of Directors and officers of the Corporation.

ARTICLE VII. MISCELLANEOUS

Section 1. Seal. The corporate seal of the Corporation shall contain the name of the Corporation, the year of its creation, and the words "Corporate Seal, Delaware," and shall be in such form as may be approved by the Board of Directors.

Section 2. Fiscal Year. The fiscal year of the Corporation shall be as set by the Board of Directors.

Section 3. Loans. Any officer or officers or agent or agents of the Corporation thereunto authorized by the Board of Directors or by any duly authorized committee of directors may effect loans or advances at any time for the Corporation, in the ordinary course of the Corporation's business, from any bank, trust company or other institution or from any firm, corporation or individual, and for such loans and advances may make, execute and deliver promissory notes, bonds or other certificates or evidences of indebtedness of the Corporation, and when authorized to do so may pledge and hypothecate or transfer any securities or other property of the Corporation as security for any such loans or advances. Such authority conferred by the Board of Directors or any duly authorized committee of directors may be general or confined to specific instances.

Section 4. Checks, Drafts, Withdrawal of Securities, Safe Deposit Boxes, etc. All checks, drafts and other orders for payment of money out of the funds of the Corporation shall be signed on behalf of the Corporation in such manner as shall from time to time be determined by resolution of the Board of Directors or of any duly authorized committee of directors. The Corporation shall furnish to each depository, bank, custodian and entity providing safe deposit boxes, a certified copy of its resolution regarding the authorization of disbursements and the entry to safe deposit boxes or withdrawal of securities from safekeeping.

Section 5. Deposits. The funds of the Corporation, not otherwise employed, shall be deposited from time to time to the order of the Corporation in such banks, trust companies or other depositories as the Board of Directors or any duly authorized committee of directors may from time to time select, or as may be selected by an officer or officers, or agent or agents, of the Corporation to whom such power may from time to time be delegated by the Board of Directors or any duly authorized committee of directors.

Section 6. Contracts, etc., How Executed. The Chief Executive Officer, and those officers who are designated by resolution of the Board, shall be authorized to enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation, and such authority may be delegated, in specific instances to such other officers, employees or agents as such authorized officers may designate.

Section 7. Voting of Stock or Other Securities Held. Unless otherwise provided by resolution of the Board of Directors, the Chief Executive Officer may from time to time appoint an attorney or attorneys or agent or agents of this Corporation, in the name and on behalf of this Corporation to cast the votes which this Corporation may be entitled to cast as a stockholder or otherwise in any other corporation, any of whose stock or securities may be held by this Corporation, at meetings of the holders of the stock or other securities of such other corporations, or to consent in writing to any action by any such other corporation, and may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent, and may execute or cause to be executed on behalf of this Corporation and under its corporate seal, or otherwise, such written proxies, consents, waivers or other instruments that he or they may deem necessary or proper in the premises; or the Chief Executive Officer may attend any meeting of the holders of stock or other securities of any such other corporation and thereat vote or exercise any or all other powers of this Corporation as the holder of such stock or other securities of such other corporation.

Section 8. Waivers of Notice. Whenever any notice is required to be given under the provisions of the statutes or of the Certificate of Incorporation, or of these By-Laws, a waiver thereof in writing signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE VIII. AMENDMENTS

Section 1. By the Directors. The Board of Directors by a majority vote thereof shall have the power to make, alter, amend or repeal the By-Laws of the Corporation at any regular or special meeting of the Board of Directors. This power shall not be exercised by any committee of the Board of Directors.

Section 2. By the Stockholders. Except as otherwise provided in these By-Laws, all By-Laws shall be subject to amendment, alteration or repeal by the vote of a majority of the total number of issued and outstanding shares of Common Stock of the Corporation entitled to vote at any annual or special meeting. The stockholders, at any annual or special meeting, may provide that certain By-Laws by them adopted, approved or designated may not be amended, altered or repealed except by a certain specified percentage in interest of the stockholders or by a certain specified percentage in interest of a particular class of stockholders.

CNB BANCORP, INC. STOCK OPTION PLAN

1. **PURPOSE.** The purpose of this CNB Bancorp, Inc. Stock Option Plan ("the Plan") is to provide a method whereby those key employees of CNB Bancorp, Inc. and its affiliates (collectively, "the Company"), who are primarily responsible for the management and growth of the Company's business and who are presently making and are expected to make substantial contributions to the Company's future management and growth, may be offered incentives in addition to those presently available, and may be stimulated by increased personal involvement in the success of the Company to continue in its service, thereby advancing the interests of the Company and its shareholders. The word "affiliate," as used in the Plan, means any corporation in any unbroken chain of corporations beginning or ending with the Company, if at the time of the granting of an option, each corporation other than the last in that chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in the chain.

2. **ADMINISTRATION.** The following provisions shall govern the administration of the Plan:

(a) **Board or Committee Administration.** The Plan shall be administered by the Board of Directors which may delegate its administrative powers and authority under the Plan to the Compensation Committee of the Company's Board of Directors (the "Compensation Committee"). (References in this Plan to the "Committee" shall be deemed to refer to the Compensation Committee or the Board of Directors, as the case may be.) The Board of Directors may from time to time remove members from or add members to the Compensation Committee. Vacancies on the Compensation Committee, however caused, shall be filled by the Board of Directors. The Board of Directors may designate a Chairman and Vice-Chairman of the Compensation Committee from among the committee members. Acts of the Compensation Committee (i) at a meeting, held at a time and place and in accordance with rules adopted by the committee at which a quorum of the committee is present and acting, or (ii) reduced to and approved in writing by all members of the committee, shall be the valid acts of the committee.

(b) **Special Rule for Officers.** The grant of options to employees who are officers of the Company may be made by and all discretion with respect to the material terms of the options may be exercised by either (i) the Board of Directors, or (ii) the Compensation Committee composed solely of two or more nonemployee directors having full authority to act in the matter.

(c) **Committee Powers.** The Committee shall effect the grant of options under the Plan by execution of instruments in writing in a form approved by the Committee. Subject to the express terms and conditions of the Plan, the Committee shall have full power to construe the Plan and the terms of any option granted under the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan or options and to make all other determinations necessary or advisable for the Plan's administration, including, without limitation, the power to:

- (i) determine which persons meet the requirements of Section 3 hereof for selection as participants in the Plan;
- (ii) determine to whom of the eligible persons, if any, options shall be granted under the Plan;
- (iii) establish the terms and conditions required or permitted to be included in every option agreement or any amendments thereto, including whether options to be granted thereunder shall be "incentive stock options," as defined in section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), or nonqualified stock options not described in sections 422 or 423 of the Code;
- (iv) specify the number of shares to be covered by each option;
- (v) determine the fair market value of shares of the Company's common stock for any purpose under the Plan;
- (vi) take appropriate action to amend any option hereunder, provided that no such action may be taken without the written consent of the affected optionee;
- (vii) cancel outstanding options and issue replacement options therefor with the consent of the affected optionee; and
- (viii) make all other determinations deemed necessary or advisable for administering the Plan.

The Committee's determination on the foregoing matters shall be conclusive.

3. ELIGIBILITY. The persons who shall be eligible to receive the discretionary grant of options under the Plan shall be those key employees and officers of the Company selected for participation by the Committee ("Eligible Persons"). Notwithstanding any other provision of the Plan, no Eligible Person shall be granted options to purchase more than an aggregate of 100,000 shares of the Company's common stock under the Plan, as adjusted pursuant to Section 8.

4. THE SHARES. The shares of stock subject to options authorized to be granted under the Plan shall consist of 160,000 shares of the Company's Common Stock (the "Shares"), or the number and kind of shares of stock or other securities which shall be substituted for the Shares or to which the Shares shall be adjusted as provided in Section 8 hereof. Upon the expiration or termination for any reason of an outstanding option under the Plan which has not been exercised in full, all unissued Shares thereunder shall again become available for the grant of options under the Plan. Shares of the Company's common stock which are (i) delivered by an optionee in payment of the exercise price of an option, or (ii) delivered by an optionee, or withheld by the Company from the shares otherwise due upon exercise of an option, in satisfaction of applicable withholding taxes, shall again become available for the grant of options under the Plan.

5. INCENTIVE STOCK OPTION TERMS AND CONDITIONS. Options granted to employees under the terms and conditions of this Section 5 are intended to be incentive stock options (ISOS) under section 422 of the Code. Each incentive stock option granted under the Plan shall be authorized by action of the Committee and shall be evidenced by a written agreement in such form as the Committee shall from time to time approve, which agreement shall comply with and be subject to the following terms and conditions:

(a) Exercise Price. The exercise price of each incentive stock option shall be one hundred percent (100%) of the fair market value of a Share of common stock of the Company on the date the option is granted; provided, however, that the exercise price of an incentive stock option granted to an individual who owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, as determined under the stock ownership rules specified in Subsection 5(c), shall be one hundred ten percent (110%) of the fair market value of a Share of common stock of the Company on the date the option is granted.

(b) Duration of Options. No incentive stock option shall be exercisable after the expiration of ten (10) years from the date on which that option is granted; provided, however, that no incentive stock option granted to an individual who owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, as determined under the stock ownership rules specified in Subsection 5(c), shall be exercisable after the expiration of five (5) years from the date on which that option is granted.

(c) Determination of Stock Ownership. For purposes of determining in Subsections 5(a) and 5(b) whether an employee owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company, an employee shall be considered as owning the stock owned, directly or indirectly, by or for his or her brothers and sisters (whether by the whole or half blood), spouse, ancestors, and lineal descendants. Stock owned, directly or indirectly, by or for a corporation, partnership, estate, or trust shall be considered as being owned proportionately by or for its shareholders, partners, or beneficiaries. Stock with respect to which the employee holds an option shall not be counted.

(d) Right to Exercise. Each incentive stock option shall become exercisable and vest according to the terms and conditions established by the Committee and reflected in the written agreement evidencing the option, provided, however, that no option shall vest at a rate of less than twenty-five percent (25%) per year during the four (4) year period following the date of grant of the option. Notwithstanding the preceding sentence, all options shall become immediately exercisable in the event of (1) the employee's attainment of age 65, (2) the closing of the sale of all or substantially all of the assets of the Company, (3) the merger or consolidation of the Company into or with another corporation in a transaction where the Company is not the surviving corporation, (4) if any person (other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or its affiliate is or becomes the beneficial owner of 25% or more of the common stock of the Company, or (5) if, during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company (each an "Incumbent Board Member") cease for any reason to constitute at least a majority thereof, provided, however, that any person becoming a director of the Company after the beginning of such period whose election is approved by a vote of at least three-quarters of the Incumbent Board Members shall be considered to be an incumbent Board Member. In addition, the Board of Directors shall have the authority to accelerate the exercisability of any options granted to an employee. Each incentive stock option shall be subject to termination before its date of expiration as provided in Subsection 5(e).

(e) Terminations of Options. If an optionee ceases to be an employee of the Company, his or her rights to exercise an incentive stock option then held shall be only as follows:

DEATH: If an optionee dies while he or she is employed by the Company, the optionee's estate shall have the right for a period of twelve (12) months after the date of death to exercise the option to the extent the optionee was entitled to exercise the option on that date, provided the date of exercise is in no event after the expiration of the term of the option. To the extent the option is not exercised within this period, the option will terminate. An optionee's "estate" shall mean the optionee's legal representative or any person who acquires the right to exercise an option by reason of the optionee's death.

DISABILITY: If an optionee's employment with the Company ends because the optionee becomes disabled, the optionee or his or her qualified representative (in the event of the optionee's mental disability) shall have the right for a period of twelve (12) months after the date on which the optionee's employment ends to exercise the option to the extent the optionee was entitled to exercise -the option on that date, provided the date of exercise is in no event after the expiration of the term of the option. To the extent the option is not exercised within this period, the option will terminate.

RESIGNATION: If an optionee voluntarily resigns from the Company, the optionee shall have the right for a period of three (3) months after the date of resignation to exercise the option to the extent the optionee was entitled to exercise the option on that date, provided the date of exercise is in no event after the expiration of the term of the option. To the extent the option is not exercised within this period, the option will terminate.

TERMINATION FOR REASONS OTHER THAN CAUSE: If an optionee's employment is terminated by the Company for reasons other than "Cause," the optionee shall have the right for a period of three (3) months after the date of termination to exercise the option to the extent the optionee was entitled to exercise the option on that date, provided the date of exercise is in no event after the expiration of the term of the option. To the extent the option is not exercised within this period, the option will terminate. Notwithstanding the above, an employee shall have five (5) years from the date of his/her retirement from the Company to exercise incentive stock options, provided, however, that at the expiration of the three (3) month period following retirement, such option shall no longer be treated as incentive stock options, but shall be treated as non-qualified stock options pursuant to Section 6 below.

For the purpose of this clause, "Cause" shall mean that: the optionee is determined by the Committee to have committed an act of embezzlement, fraud, dishonesty, or breach of fiduciary duty to the Company, or to have deliberately disregarded the rules of the Company which resulted in loss, damage, or injury to the Company, or because the optionee has made any unauthorized disclosure of any of the secrets or confidential information of the Company, has induced any client or customer of the Company to break any contract with the Company, has induced any principal for whom the Company acts as agent to terminate the agency relationship, or has engaged in any conduct that constitutes unfair competition with the Company.

OTHER REASONS: If an optionee's employment with the Company ends for any reason not mentioned above in this Subsection 5(e), all rights of the optionee in an incentive stock option, to the extent that it has not been exercised, shall terminate on the date the optionee's employment ends.

(f) Notice of Sale. If an optionee sells or otherwise disposes of any Shares acquired upon exercise of an incentive stock option, and the sale or disposition occurs within two (2) years after the grant of the option or within one (1) year after the exercise of the option, the optionee shall give the Company notice of the sale or disposition within fifteen (15) days thereafter.

(g) Limit on Exercise of Incentive Stock Options. To the extent that the aggregate fair market value (determined as of the time the option is granted) of the Stock with respect to which incentive stock options are exercisable for the first time by any individual during any calendar year (under all plans of the Company and its parent and subsidiary corporations) exceeds One Hundred Thousand Dollars (\$100,000), the options shall be treated as options that are not incentive stock options.

6. NONQUALIFIED STOCK OPTION TERMS AND CONDITIONS. The options granted under the terms and conditions of this Section 6 are nonqualified stock options and are not intended to qualify as either a qualified stock option or an incentive stock option as those terms are defined by applicable provisions of the Code. Each nonqualified stock option granted under the Plan shall be authorized by action of the Committee and shall be evidenced by a written agreement in such form as the Committee shall from time to time approve, which agreement shall comply with and be subject to the following terms and conditions:

(a) Exercise Price. The exercise price of each nonqualified stock option shall not be less than one hundred percent (100%) of the fair market value of a Share of the Company on the date the option is granted.

(b) Duration of Options. Each nonqualified stock option shall be for a term determined by the Committee; provided, however, that the term of any option may not exceed ten (10) years.

(c) Right to Exercise. Each nonqualified stock option shall become exercisable and vest according to the terms and conditions established by the Committee and reflected in the written agreement evidencing the option, provided, however, that no option shall vest at a rate of less than fifty percent (50%) per year during the two (2) year period following the date of grant of the option. Notwithstanding the preceding sentence, all options shall become immediately exercisable in the event of (1) the employee's attainment of age 65, (2) the closing of the sale of all or substantially all of the assets of the Company, (3) the merger or consolidation of the Company into or with another corporation in a transaction where the Company is not the surviving corporation, (4) if any person (other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or its affiliate is or becomes the beneficial owner of 25% or more of the common stock of the Company, or (5) if, during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Company (each an "Incumbent Board Member") cease for any reason to constitute at least a majority thereof, provided, however, that any person becoming a director of the Company after the beginning of such period whose election is approved by a vote of at least three-quarters of the Incumbent Board Members shall be considered to be an incumbent Board Member. In addition, the Board of Directors shall have the authority to accelerate the exercisability of any options granted to an employee. Each nonqualified stock option shall be subject to termination before its date of expiration as provided in Subsection 6(d).

(d) Terminations of Options. If an optionee ceases to be an employee of the Company, his or her rights to exercise a nonqualified stock option then held shall be only as follows:

DEATH: If an optionee dies while he or she is employed by the Company, the optionee's estate shall have the right for a period of twelve (12) months after the date of death to exercise the option to the extent the optionee was entitled to exercise the option on that date, provided the date of exercise is in no event after the expiration of the term of the option. To the extent the option is not exercised within this period, the option will terminate. An optionee's "estate" shall mean the optionee's legal representative or any person who acquires the right to exercise an option by reason of the optionee's death.

DISABILITY: If an optionee's employment with the Company ends because the optionee becomes disabled, the optionee or his or her qualified representative (in the event of the optionee's mental disability) shall have the right for a period of twelve (12) months after the date on which the optionee's employment ends to exercise the option to the extent the optionee was entitled to exercise the option on that date, provided the date of exercise is in no event after the expiration of the term of the option. To the extent the option is not exercised within this period, the option will terminate.

RESIGNATION: If an optionee voluntarily resigns from the Company, the optionee shall have the right for a period of three (3) months after the date of resignation to exercise the option to the extent the optionee was entitled to exercise the option on that date, provided the date of exercise is in no event after the expiration of the term of the option. To the extent the option is not exercised within this period, the option will terminate.

TERMINATION FOR REASONS OTHER THAN CAUSE: If an optionee's employment is terminated by the Company for reasons other than "Cause," the optionee shall have the right for a period of three (3) months after the date of termination to exercise the option to the extent the optionee was entitled to exercise the option on that date, provided the date of exercise is in no event after the expiration of the term of the option. To the extent the option is not exercised within this period, the option will terminate. Notwithstanding the above, an employee shall have five (5) years from the date of his/her retirement from the Company to exercise non-qualified options.

For the purpose of this clause, "Cause" shall mean that: the optionee is determined by the Committee to have committed an act of embezzlement, fraud, dishonesty, or breach of fiduciary duty to the Company, or to have deliberately disregarded the rules of the Company which resulted in loss, damage, or injury to the Company, or because the optionee has made any unauthorized disclosure of any of the secrets or confidential information of the Company, has induced any client or customer of the Company to break any contract with the Company, has induced any principal for whom the Company acts as agent to terminate the agency relationship, or has engaged in any conduct that constitutes unfair competition with the Company.

OTHER REASONS: If an optionee's employment with the Company ends for any reason not mentioned above in this Subsection 6(d), all rights of the optionee in a nonqualified stock option, to the extent that it has not been exercised, shall terminate on the date the optionee's employment ends.

7. ADDITIONAL TERMS AND CONDITIONS OF ALL OPTIONS. The following terms and conditions shall apply to all options granted pursuant to the Plan:

(a) Exercise of Options. To the extent the right to purchase Shares has vested under an optionee's stock option agreement, options may be exercised from time to time by:

- (1) delivering payment therefor in cash, certified check, official bank check, or the equivalent thereof acceptable to the Company, together with written notice to the Company at the address specified in the written agreement evidencing the option. The written notice must identify the option or part thereof being exercised and specify the number of Shares for which payment is being tendered.
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- (2) the delivery and surrender of Shares which (i) have been owned by the optionee for at least twelve (12) months or for such other period as the Committee may require; and (ii) have an aggregate fair market value on the date of surrender equal to the exercise price.
- (3) delivering to the Company (i) an exercise notice instructing the Company to deliver the certificates for the Shares purchased to a designated brokerage firm; and (ii) a copy of irrevocable instructions delivered to the brokerage firm to sell the Shares acquired upon exercise of the option and to deliver to the Company from the sale proceeds sufficient cash to pay the exercise price and applicable withholding taxes arising as a result of the exercise.

The Company shall deliver to the optionee, without transfer or issue tax to the optionee (or other person entitled to exercise the option), at the principal office of the Company, or such other place as shall be mutually acceptable, a certificate or certificates for the Shares acquired under the option dated the date the option was validly exercised; provided, however, that the time of delivery may be postponed by the Company for such period as may be required for it with reasonable diligence to comply with any requirements of law.

(b) Transferability of Options and Shares. Each option shall be transferable only by will or the laws of descent and distribution and shall be exercisable during the optionee's lifetime only by the optionee, or in the event of disability, the optionee's qualified representative. In addition, in order for Shares acquired upon exercise of incentive stock options to receive the tax treatment afforded such Shares, the Shares may not be disposed of within two years from the date of the option grant nor within one year after the date of transfer of such Shares to the optionee.

(c) Withholding. The Company shall have the right to condition the issuance of Shares upon exercise of an option upon payment by the optionee of any applicable taxes required to be withheld under federal, state or local tax laws or regulations in connection with the exercise. To the extent permitted in an optionee's stock option agreement, an optionee may elect to pay such tax by (i) requesting the Company to withhold a sufficient number of Shares from the total number of Shares issuable upon exercise of the option or (ii) delivering a sufficient number of Shares which have been held by the optionee for at least twelve (12) months to the Company. This election is subject to approval or disapproval by the Committee. The value of Shares withheld or delivered shall be the fair market value of the Shares on the date the exercise becomes taxable as determined by the Committee.

(d) Fair Market Value of Shares. For any purposes under the Plan, fair market value per Share shall mean, where there is a public market for the Shares, the mean of the bid and asked prices (or the closing price if listed on a stock exchange or the NASDAQ National Market) of the Shares for the date of grant, as reported in the Wall Street Journal (or, if not so reported, as otherwise reported by the NASDAQ Stock Market or the National Quotation Bureau). If this fair market value information is not available for the date of grant, then such information for the last preceding date for which it is available shall be considered as the fair market value.

(e) Other Terms and Conditions. Options may also contain such other provisions, which shall not be inconsistent with any of the foregoing terms, as the Committee shall deem appropriate. No option, however, nor anything contained in the Plan, shall confer upon any optionee any right to continue in the employ or in the status as a director of the Company, nor limit in any way the right of the Company to terminate an optionee's employment at any time.

8. ADJUSTMENT OF, AND CHANGES IN, THE SHARES.

(a) Changes in Capitalization. Subject to any required action by the shareholders of the Company, the number of Shares covered by each outstanding option, and the number of Shares which have been authorized for issuance under the Plan but as to which no options have yet been granted, as well as the price per Share covered by each outstanding option, shall be proportionately adjusted for any increase or decrease in the number of issued Shares resulting from a stock split, reverse stock split, stock dividend, recapitalization, combination or reclassification of the Shares, or any other increase or decrease in the number of issued Shares effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Committee, whose determination in that respect shall be final, binding, and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an option.

(b) Dissolution, Liquidation, Sale, or Merger. In the event of a proposed dissolution or liquidation of the Company, options outstanding under the Plan shall terminate immediately before the consummation of such proposed action. The Committee will, in such circumstances, provide written notice to the optionees of the expected dates of termination of outstanding options and consummation of the proposed dissolution or liquidation.

In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger or consolidation of the Company with or into another corporation in a transaction in which the Company is not the surviving corporation, outstanding options may be assumed or equivalent options may be substituted by the successor corporation (or a parent or subsidiary of the successor corporation), unless the successor corporation does not agree to assume the options or to substitute equivalent options. If outstanding options are not assumed or substituted by equivalent options, the Committee shall have the power to cause the termination of all outstanding options (subject to the actual consummation of the sale or merger) and the Company shall provide written notice to the optionees of the expected dates of termination of the options and consummation of the transaction. If the transaction is not consummated, unexercised options shall continue in accordance with their original terms.

(c) Notice of Adjustments, Fractional Shares. To the extent the foregoing adjustments relate to stock or securities of the Company, such adjustments shall be made by the Committee, whose determination in that respect shall be final, binding, and conclusive. No right to purchase fractional shares shall result from any adjustment in options pursuant to this Section 8. In case of any such adjustment, the shares subject to the option shall be rounded up to the nearest whole share. Notice of any adjustment shall be given by the Company to each holder of an option which was in fact so adjusted and the adjustment (whether or not notice is given) shall be effective and binding for all purposes of the Plan.

No adjustment shall be made for dividends or other rights for which the record date is prior to the date of such issuance, except as provided in this Section 8.

Any issue by the Company of shares of stock of any class, or securities convertible into shares of any class, shall not affect the number or price of Shares subject to the option, and no adjustment by reason thereof shall be made. The grant of an option pursuant to the Plan shall not affect in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure or to merge or to consolidate or to dissolve, liquidate or sell, or transfer all or any part of its business or assets.

9. AMENDMENT AND TERMINATION OF THE PLAN. The Board shall have complete power and authority to terminate or amend the Plan; provided, however, that the Board shall not, without the approval of the shareholders of the Company, amend the Plan in a manner that requires shareholder approval for continued compliance with section 422 of the Code, any successor rules, or other regulatory authority. Except as provided in Section 8, no termination, modification or amendment of the Plan may, without the consent of optionees to whom options were previously granted under the Plan, adversely effect the rights of those optionees. Any consent required by the preceding sentence may be obtained in any manner deemed appropriate by the Committee.

The Plan, unless sooner terminated, shall terminate on ten (10) years from the date the Plan was originally adopted by the Board. An option may not be granted under the Plan after the Plan is terminated.

10. EFFECTIVENESS OF THE PLAN. The Plan will become effective upon approval by the Company's shareholders within twelve months of the date the Plan is adopted by the Company's Board of Directors.

11. INFORMATION TO OPTIONEES. The Company shall provide to each optionee during the period for which he or she has one or more outstanding options, copies of all annual reports and all other information which is provided to shareholders of the Company. The Company shall not be required to provide such information to key employees whose duties in connection with the Company assure their access to equivalent information.

12. PRIVILEGES OF STOCK OWNERSHIP, SECURITIES LAW COMPLIANCE. No optionee shall be entitled to the privileges of stock ownership as to any Shares not actually issued and delivered to the optionee. The exercise of any option under the Plan shall be conditioned upon the registration of the Shares with the SEC and qualification of the options and underlying Shares under applicable state securities laws, unless in the opinion of counsel to the Company registration or qualification is not necessary. The Company shall diligently endeavor to comply with all applicable securities laws before any options are granted under the Plan and before any Shares are issued pursuant to the exercise of such options.

13. INDEMNIFICATION. To the extent permitted by applicable law in effect from time to time, no member of the Board or the Committee shall be liable for any action or omission of any other member of the Board or Committee nor for any act or omission on the member's own part, excepting only the member's own willful misconduct or gross negligence. The Company shall pay expenses incurred by, and satisfy a judgment or fine rendered or levied against, a present or former director or member of the Committee in any action against such person (whether or not the Company is joined as a party defendant) to impose liability or a penalty on such person for an act alleged to have been committed by such person while a director or member of the Committee arising with respect to the Plan or administration thereof or out of membership on the Committee or by the Company, or all or any combination of the preceding; provided the director or Committee member was acting in good faith, within what such director or Committee member reasonably believed to have been within the scope of his or her employment or authority and for a purpose which he or she reasonably believed to be in the best interests of the Company or its shareholders. Payments authorized hereunder include amounts paid and expenses incurred in settling any such action or threatened action. This section does not apply to any action instituted or maintained in the right of the Company by a shareholder or holder of a voting trust certificate representing shares of the Company. The provisions of this section shall apply to the estate, executor, administrator, heirs, legatees or devisees of a director or Committee member, and the term "person" as used in this section shall include the estate, executor, administrator, heirs, legatees or devisees of such person.

NBT Bancorp Inc. Employee Stock Purchase Plan

NBT BANCORP INC.
EMPLOYEE STOCK PURCHASE PLAN

ARTICLE I-PURPOSE

The NBT Bancorp Inc. Employee Stock Purchase Plan (the "Plan") is intended to provide to employees of NBT Bancorp Inc. (the "Corporation") and its subsidiaries the opportunity to acquire ownership interests in the Corporation through a regular investment program. The Corporation believes that ownership of its Common Stock will motivate employees to improve their job performance, and enhance the financial results of the Corporation. The Plan is intended to qualify as an "employee stock purchase plan" under section 423 of the Internal Revenue Code of 1986, as amended (the "Code"), and shall be construed so as to extend and limit participation in a manner consistent with the requirements thereof.

ARTICLE II-DEFINITIONS

2.01. BASE PAY

"Base Pay" shall mean an Employee's basic hourly wage or salary, excluding any bonuses, overtime, or other extra or incentive pay. With respect to any Employee compensated on a commission basis, the Committee shall make a good faith estimate of the Employee's expected "Base Pay" by taking into account prior-year compensation, excluding any bonuses, overtime, or other extra or incentive pay, and any changes in circumstances for the current year.

2.02. BOARD

"Board" shall mean the Board of Directors of the Corporation.

2.03. CODE

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

2.04. COMMENCEMENT DATE

"Commencement Date" shall mean March 31, 2000 and each January 1 thereafter during which the Plan is in effect.

2.05. COMMITTEE

"Committee" shall mean the individuals described in Article IX.

2.06. COMMON STOCK

"Common Stock" shall mean the Common Stock, par value \$.01 per share, of the Corporation.

2.07. CORPORATION

"Corporation" shall mean NBT Bancorp Inc., a Delaware corporation.

2.08. EMPLOYEE
"Employee" shall mean any person employed by the Corporation or a Subsidiary Corporation (as defined in Sec. 2.10).

2.09. OFFERING
"Offering" shall mean an annual offering of Common Stock pursuant to Sec. 4.01.

2.10. SUBSIDIARY CORPORATION

"Subsidiary Corporation" shall mean any present or future corporation which would be a "subsidiary corporation" of the Corporation as that term is defined in section 424 of the Code.

2.11. TERMINATION DATE
"Termination Date" shall mean the December 31 immediately following the Commencement Date of an Offering.

ARTICLE III-ELIGIBILITY AND PARTICIPATION

3.01. INITIAL ELIGIBILITY
Except as otherwise provided in Sec.Sec. 3.02 and 9.01, each Employee shall be eligible to participate in Offerings that commence on or after the date he or she becomes an Employee.

3.02. RESTRICTIONS ON PARTICIPATION
No Employee shall participate in an Offering:
(a) if, immediately after the Commencement Date, such Employee would own stock, and/or hold outstanding options to purchase stock, possessing 5% or more of the total combined voting power or value of all classes of stock of the Corporation (for purposes of this paragraph, the rules of section 424(d) of the Code shall apply in determining stock ownership of any Employee); or
(b) to the extent that his or her rights to purchase stock under all employee stock purchase plans of the Corporation accrue at a rate which exceeds \$25,000 in fair market value of the stock (determined at the time such options are granted) for each calendar year in which such options are outstanding.

3.03. COMMENCEMENT OF PARTICIPATION
An Employee may participate in Offerings by completing an authorization for regular payroll deductions on the form provided by the Corporation and filing it with the Corporation on or before the date set therefor by the Committee, which date shall be prior to the Commencement Date for an Offering. Payroll deductions for an Employee shall commence on the applicable Commencement Date. Once enrolled, an Employee shall continue to participate in this Plan for each succeeding Offering until the Employee terminates his or her participation as provided in Article VII or ceases to be an Employee. An Employee who desires to change his or her rate of contribution may do so effective as of the beginning of the next Commencement Date for an Offering by completing an authorization and filing it with the Corporation prior to that Commencement Date.

ARTICLE IV-GRANTING OF OPTIONS

4.01. ANNUAL OFFERINGS

The Plan shall be implemented by annual offerings of Common Stock beginning on March 31, 2000 and on the 1st day of January in each subsequent year, each Offering terminating on the December 31 immediately following the Commencement Date (the Termination Date).

4.02. NUMBER OF OPTION SHARES

On the Commencement Date of each Offering, a participating Employee shall be deemed to have been granted an option to purchase a number of shares of Common Stock equal to (i) the aggregate amount of payroll deductions during the Offering elected by the Employee, divided by (ii) the option price determined under Sec. 4.03(i).

4.03. OPTION PRICE

The option price of Common Stock purchased in an Offering shall be the lower of:

- (i) 85% of the fair market value of Common Stock on the Commencement Date,
- or
- (ii) 85% of the fair market value of Common Stock on the Termination Date.

Fair market value as of any date shall mean:

(a) if the Common Stock is listed on a national securities exchange or traded in the over-the-counter market and sales prices are regularly reported for the Common Stock, the average of the closing or last prices of the Common Stock on the Composite Tape or other comparable reporting system for the 10 consecutive trading days immediately preceding such date;

(b) if the Common Stock is traded on the over-the-counter market, but sales prices are not regularly reported for the Common Stock for the 10 days referred to in (a) above, and if bid and asked prices for the Common Stock are regularly reported, the average of the mean between the bid and the asked price for the Common Stock at the close of trading in the over-the-counter market for such 10 days; and

(c) if the Common Stock is neither listed on a national securities exchange nor traded on the over-the counter market, such value as the Committee, in good faith, shall determine.

4.04. MAXIMUM SHARES

The maximum number of shares which shall be issued under the Plan, subject to adjustment upon changes in capitalization of the Corporation as provided in Sec. 11.02, shall be 500,000 shares. If the total number of shares for which options are exercised on any Offering Termination Date, together with the aggregate number of shares as to which options were exercised on all previous Offering Termination Dates, exceeds the foregoing maximum number of shares, the Corporation shall make a pro rata allocation of the shares available for purchase in as nearly a uniform manner as shall be practicable and as it shall determine to be equitable, and the balance credited to the account of each Employee under Sec. 5.02 not used to purchase Common Stock shall be returned to him or her as promptly as possible. Common Stock issued pursuant to the Plan may be either authorized but unissued shares or shares held in the treasury of the Corporation.

4.05. EMPLOYEE'S INTEREST IN OPTION STOCK

The Employee shall have no interest in Common Stock covered by his or her option until such option has been exercised in accordance with the provisions of Article VI.

ARTICLE V-PAYROLL DEDUCTIONS

5.01. AMOUNT OF DEDUCTION

An Employee's authorization for payroll deduction shall elect deductions of at least 1% of Base Pay, but not more than 10% of Base Pay, in effect on the Commencement Date of each Offering. No change in the amount of payroll deductions shall be made during a year if the Employee's rate of Base Pay changes during the year.

5.02. EMPLOYEE'S ACCOUNT

All payroll deductions made for an Employee shall be credited to his or her account under the Plan. An Employee may not make any separate cash payment into such account except when on leave of absence, and then only as provided in Sec. 5.04.

5.03. CHANGES IN PAYROLL DEDUCTIONS

An Employee may discontinue his or her payroll deductions under the Plan as provided in Article VII, but may make no other change during an Offering and, specifically, may not alter the amount of his or her payroll deductions for that Offering.

5.04. LEAVE OF ABSENCE

An Employee on a leave of absence without pay shall have the right to (i) discontinue contributions to the Plan, or (ii) make a cash payment to the Corporation at the end of each payroll period in the amount of the Employee's authorized Plan deductions.

ARTICLE VI-EXERCISE OF OPTIONS

6.01. AUTOMATIC EXERCISE

Unless an Employee gives written notice to the Corporation as hereinafter provided, his or her option with respect to any Offering shall be exercised automatically on the Termination Date applicable to such Offering, for the number of full and fractional shares of Common Stock subject to his or her option, as determined under Sec. 4.02. Any amount in his or her account not used to purchase Common Stock shall be returned to the Employee within a reasonable time after the Termination Date of the Offering.

6.02. BOOK ENTRY ACCOUNTS; DELIVERY OF STOCK

The Corporation shall maintain a book entry account, in the name of each Employee who purchased shares of Common Stock under Sec. 6.01, to record book entries of the number of full and fractional shares (to 1/1,000 of a share) of Common Stock purchased by an Employee. Statements of shares held in each Employee's book entry account shall be delivered to each Employee within a reasonable time after the Termination Date of each Offering. Shares credited to an Employee's book entry account will be held in uncertificated form for a period of one year from the date of purchase, except as provided in Sec. Sec. 6.04 and 7.03. Thereafter, Employees may obtain stock certificates for those shares that have been held for one year in their respective book entry accounts upon submitting a written request to the Committee.

6.03. REGISTRATION OF STOCK

Common Stock to be delivered to an Employee under the Plan shall be registered in the name of the Employee, or, if the Employee so directs by written notice to the Corporation prior to the Offering Termination Date applicable thereto, in the names of the Employee and one such other person as may be designated by the Employee, as joint tenants with rights of survivorship or as tenants by the entirety, to the extent permitted by applicable law.

6.04. TRANSFERABILITY OF STOCK

Common Stock issued pursuant to the Plan shall not be transferable, other than to the Employee's estate or by bequest or inheritance, incident to the Employee's divorce, or due to the Employee's immediate and heavy financial need, for one year after the date of purchase.

Stock certificates representing those shares that have been held in an Employee's book entry account for less than one year from the date of purchase will be issued to an Employee due to an immediate and heavy financial need of the Employee if the Employee has incurred (or is about to incur) any of the following financial obligations:

- (i) Expenses incurred or necessary for medical care described in Code section 213(d) for the Employee, his or her spouse, children or other dependents;
- (ii) Costs directly related to the purchase of the principal residence for the Employee (excluding mortgage payments);
- (iii) Payment of tuition, related educational fees, and room and board expenses, for the next twelve (12) months of post-secondary education for the Employee, his or her spouse, children or other dependents; or
- (iv) Payments necessary to prevent the eviction of the Employee from his or her principal residence or foreclosure on the mortgage of his or her principal residence.

A financial hardship request for stock certificates must be submitted to the Committee in writing. The Employee making the application shall have the burden of presenting to the Committee evidence that he or she has an immediate and heavy financial need and that the issuance of stock certificates and subsequent sale of those shares of Common Stock is necessary to satisfy that financial need. Action upon any such application shall be taken by the Committee in its absolute discretion.

6.05. WITHHOLDING

The Corporation shall have the right to withhold from an Employee's compensation amounts sufficient to satisfy all federal, state and local tax withholding requirements, and shall have the right to require the Employee to remit to the Corporation such additional amounts as may be necessary to satisfy such requirements.

ARTICLE VII-WITHDRAWAL

7.01. IN GENERAL

An Employee may withdraw the full amount credited to his or her account under the Plan at any time by giving written notice to the Corporation. The balance credited to the Employee's account shall be paid to him or her promptly after receipt of the notice of withdrawal, and no further deductions shall be made from his or her pay during such Offering.

7.02. EFFECT ON SUBSEQUENT PARTICIPATION

An Employee's withdrawal from any Offering shall not have any effect upon his or her eligibility to participate in any succeeding Offering by filing with the Corporation a new authorization for payroll deduction.

7.03. TERMINATION OF EMPLOYMENT

Upon termination of an Employee's employment for any reason, including retirement (but excluding death while in the employ of the Corporation), the amount credited to his or her account shall be returned to him or her or, in the case of death subsequent to the termination of his or her employment, to the person or persons entitled thereto under Sec. 11.08. Certificates for the number of full shares of Common Stock allocated to a terminated Employee's book entry account shall be issued to him or her as promptly as practicable after his or her termination date, with any fractional shares paid in cash.

7.04. TERMINATION OF EMPLOYMENT DUE TO DEATH

Upon termination of an Employee's employment because of his or her death, his or her beneficiary (as defined in Sec. 11.08) shall have the right to elect, by written notice given to the Corporation prior to the Offering Termination Date, either:

- (i) to withdraw the amount credited to the Employee's account under the Plan, or
- (ii) to exercise his or her option on the Termination Date next following the date of the Employee's death for the number of full and fractional shares of Common Stock which the Employee's payroll deductions prior to death will purchase at the applicable option price, but not more than the number of shares subject to the Employee's option determined under Sec. 4.02, with any amount in such account not used to purchase Common Stock returned to the beneficiary.

In the event that no such timely written notice of election shall be received by the Corporation, the beneficiary shall automatically be deemed to have elected, pursuant to paragraph (ii), to exercise the Employee's option.

ARTICLE VIII-INTEREST

8.01. PAYMENT OF INTEREST

No interest shall be paid or allowed on any money paid into the Plan or credited to the account of any Employee; provided, however, that interest shall be paid on any and all money which is distributed to an Employee or his or her beneficiary pursuant to the provisions of Sec. 7.01, 7.03 and 7.04. Such distributions shall bear simple interest during the period from the date of withholding to the date of return at the regular passbook savings account rate per annum in effect at NBT Bank, N.A., Norwich, New York. Where the amount returned represents an excess amount in an Employee's account after such account has been applied to the purchase of Common Stock under Sec. 6.01, the Employee's withholding account shall be deemed to have been applied first toward purchase of Common Stock under the Plan, so that interest shall be paid on the last withholdings during the period which results in the excess amount.

ARTICLE IX-ADMINISTRATION

9.01. APPOINTMENT OF COMMITTEE

The Board shall appoint the Compensation and Benefits Committee to administer the Plan, which shall consist of no fewer than two members of the Board. No members of the Committee shall be eligible to purchase Common Stock under the Plan. If at any time no Committee is in existence, the Board shall have the authority and responsibility to carry out the duties of the Committee under the Plan.

9.02. AUTHORITY OF COMMITTEE

Subject to the express provisions of the Plan, the Committee shall have plenary authority in its discretion to interpret and construe any and all provisions of the Plan, to adopt rules and regulations for administering the Plan, to make all other determinations deemed necessary or advisable for administering the Plan. The Committee's determination on the foregoing matters shall be conclusive.

9.03. RULES GOVERNING THE COMMITTEE

The Board may from time to time appoint members of the Committee in substitution for or in addition to members previously appointed and may fill vacancies, however caused, in the Committee. The Committee may select one of its members as its Chairman and shall hold its meetings at such times and places as it shall deem advisable, and may hold telephonic meetings. A majority of its members shall constitute a quorum. All determinations of the Committee shall be made by a majority of its members. The Committee may correct any defect or omission or reconcile any inconsistency in the Plan, in the manner and to the extent it shall deem desirable. Any decision or determination reduced to writing and signed by a majority of the members of the Committee shall be as fully effective as if it had been made by a majority vote at a meeting duly called and held. The Committee may appoint a secretary and shall make such rules and regulations for the conduct of its business as it shall deem advisable.

ARTICLE X-INDEMNIFICATION OF COMMITTEE

10.01. INDEMNIFICATION OF COMMITTEE

In addition to such other rights of indemnification as they may have as directors or as members of the Committee, the members of the Committee shall be indemnified by the Corporation against the reasonable expenses, including attorneys' fees actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan or any option granted thereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Corporation) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such Committee member is liable for negligence or misconduct in the performance of his or her duties; provided that within sixty (60) days after institution of any such action, suit or proceeding, a Committee member shall in writing offer the Corporation the opportunity, at its own expense, to handle and defend the same.

ARTICLE XI-MISCELLANEOUS

11.01. TRANSFERABILITY

Neither payroll deductions credited to an Employee's account nor any rights with regard to the exercise of an option or to receive Common Stock or a return of payroll deductions under the Plan may be assigned, transferred, pledged, or otherwise disposed of in any way other than by the laws of descent and distribution, nor shall be subject to execution, attachment or similar process. Any such attempted voluntary or involuntary disposition shall be without effect, except that the Corporation may treat such act as an election to withdraw funds in accordance with Sec. 7.01. During an Employee's lifetime, options granted to the Employee shall be exercisable only by the Employee.

11.02. ADJUSTMENT UPON CHANGES IN CAPITALIZATION

If, while any options under the Plan are outstanding, the outstanding shares of Common Stock have increased, decreased, changed into, or been exchanged for a different number or kind of shares or securities of the Corporation, or of another corporation, through reorganization, recapitalization, reclassification, merger, consolidation, spin-off, stock dividend (either in shares of the Corporation's Common Stock or of another class of the Corporation's stock), stock split, or similar transaction, appropriate and proportionate adjustments may be made by the Committee in the number and/or kind of shares which are subject to purchase under outstanding options and in the exercise price applicable to such outstanding options. In addition, in any such event, the number and/or kind of shares which may be offered in the Offerings shall also be proportionately adjusted.

11.03. AMENDMENT AND TERMINATION

The Board shall have complete power and authority to terminate or amend the Plan; provided, however, that the Board shall not, without the approval of the stockholders of the Corporation, (i) increase the maximum number of shares which may be issued under the Plan (except pursuant to Sec. 11.02); or (ii) amend the requirements as to the class of Employees eligible to purchase Common Stock under the Plan or permit the members of the Committee or non-employee directors to purchase Common Stock under the Plan. No termination, modification, or amendment of the Plan may, without the consent of an Employee then having an option under the Plan to purchase Common Stock, adversely affect the rights of such Employee under the option as to payroll deductions previously credited to the Employee's account. The Plan shall not be amended more than once every 6 months, other than to comport with changes in the Code or the rules thereunder.

11.04. USE OF FUNDS

All payroll deductions received or held by the Corporation under this Plan may be used by the Corporation for any corporate purpose and the Corporation shall not be obligated to segregate such payroll deductions.

11.05. EFFECTIVE DATE

The Plan shall become effective as of March 31, 2000, subject to approval by the holders of a majority of the Common Stock present and represented at a special or annual meeting of the shareholders held within 12 months after the Plan is adopted by the Board. If the Plan is not so approved, the Plan shall not become effective, and all account balances under the Plan shall be distributed promptly to the contributing Employees.

11.06. NO EMPLOYMENT RIGHTS

The Plan does not, directly or indirectly, create in any Employee or class of Employees any right with respect to continuation of employment by the Corporation, and it shall not be deemed to interfere in any way with the Corporation's right to terminate, or otherwise modify, an Employee's employment at any time.

11.07. GOVERNING LAW

The laws of the State of Delaware, without regard to conflicts of laws principles, shall govern all matters relating to this Plan except to the extent they are superseded by federal law.

11.08. DESIGNATION OF BENEFICIARY

An Employee may file a written designation of a beneficiary who is to receive any Common Stock and/or cash credited to the Employee under this Plan in the event of such Employee's death prior to the delivery to him or her of such Common Stock and/or cash. Such designation of beneficiary may be changed by the Employee at any time by written notice to the Treasurer of the Corporation. Upon the death of an Employee and upon receipt of the Corporation of proof of identity and existence at the Employee's death of a beneficiary validly designated by him or her under the Plan, the Corporation shall deliver such Common Stock and/or cash to such beneficiary. In the event of the death of an Employee and in the absence of a beneficiary validly designated under the Plan who is living at the time of such Employee's death, the Corporation shall deliver such Common Stock and/or cash to the executor or administrator of the estate of the Employee, or if no such executor or administrator has been appointed (to the knowledge of the Corporation), the Corporation, in its sole discretion, may deliver such Common Stock and/or cash to the spouse or to any one or more dependents or relatives of the Employee, or if no spouse, dependent, or relative is known to the Corporation, then to such other person as the Corporation may designate. No designated beneficiary shall, prior to the death of the Employee by whom he or she has been designated, acquire any interest in the Common Stock or cash credited to the Employee under this Plan.

NBT BANCORP INC. NON-EMPLOYEE DIRECTORS' RESTRICTED AND DEFERRED STOCK PLAN

NBT Bancorp Inc. sets forth herein the terms of this Non-Employee Directors' Restricted and Deferred Stock Plan as follows:

1 PURPOSE

The Plan is intended to advance the interests of the Company by providing an additional incentive to attract, retain and motivate qualified and competent persons who are not employees of the Company to serve on the Board of the Company. To this end, the Plan provides for the grant of restricted and deferred stock all as set out herein.

2 DEFINITIONS

For purposes of interpreting the Plan and related documents (including Restricted Stock and Deferred Stock Agreements), the following definitions shall apply:

2.1 "Affiliate" means any company or other trade or business that is controlled by or under common control with the Company (determined in accordance with the principles of Section 414(b) and 414(c) of the Code and the regulations thereunder) or is an affiliate of such entity within the meaning of Rule 405 of Regulation C under the 1933 Act.

2.2 "Agreement" means a written agreement between the Company and the recipient individual that sets out the terms and conditions of the grant of a Restricted or Deferred Stock Award.

2.3 "Board" means the Board of Directors of the Company.

2.4 "Change in Control" of the Company means

(A) 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% or more of the combined voting power of the Company's Voting Securities; or

(B) 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 stockholders, 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

(C) 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

(D) Approval by the stockholders of the Company of any plan or proposal for the liquidation or dissolution of the Company.

2.5 "Code" means the Internal Revenue Code of 1986, as now in effect or as hereafter amended.

2.6 "Committee" means the committee appointed by the Board pursuant to Section 3.2 of the Plan.

2.7 "Company" means NBT Bancorp Inc., a Delaware corporation.

2.8 "Deferred Stock" shall mean Stock which will not be distributed nor which a Holder may sell, transfer, assign, pledge or otherwise encumber or dispose of until the Holder ceases to be a Director. Deferred stock shall otherwise be granted without any vesting requirements or any Restriction Period except as provided in this definition.

2.9 "Deferred Stock Agreement" means the written agreement evidencing the grant of Deferred Stock hereunder.

2.10 "Director" means a member of the Board or a Director of a Subsidiary or one denominated as a Director of a division of a Subsidiary.

2.11 "Effective Date" means the date of adoption of the Plan by the Board, subject to approval by the stockholders of the Company.

2.12 "Exchange Act" means the Securities Exchange Act of 1934, as now in effect or as hereafter amended.

2.13 "Fair Market Value" means the value of each Share subject to the Plan determined as follows: if on the Grant Date or other determination date the shares of Stock are listed on an established national or regional stock exchange, are admitted to quotation on the National Association of Securities Dealers Automated Quotation System, or are publicly traded on an established securities market, the Fair Market Value of the shares shall be the average price between the high and the low sale price of the shares on such exchange or in such market on the trading day immediately preceding the Grant Date or, if no sale of the shares is reported for such trading day, on the next preceding day on which any sale shall have been reported. If the shares are not listed on such an exchange, quoted on such System or traded on such a market, Fair Market Value shall be determined by the Board in good faith.

- 2.14 "Grant Date" means the later of (i) the date as of which the Board approves the grant and (ii) the date as of which the Holder and the Company or Affiliate enter the relationship resulting in the Holder being eligible for grants.
- 2.15 "Holder" means a person who is eligible to receive Restricted or Deferred Stock under the Plan.
- 2.16 "Plan" means the NBT Bancorp Inc. Non-Employees Directors' Restricted and Deferred Stock Plan.
- 2.17 "Restricted Stock" means Stock which is subject to a risk of forfeiture.
- 2.18 "Restricted Stock Agreement" means the written agreement evidencing the grant of Restricted Stock hereunder.
- 2.19 "Restricted Stock Award" means an award of Restricted Stock granted pursuant to Section 7 of this Plan.
- 2.20 "1933 Act" means the Securities Act of 1933, as now in effect or as hereafter amended.
- 2.21 "Stock" means the Common Stock, par value \$0.01 per share, of the Company.
- 2.22 "Subsidiary" means any "subsidiary corporation" of the Company within the meaning of Section 424(f) of the Code.
- 2.23 "Voting Securities" means securities of the Company having the right to vote at elections of members of the Board of Directors.

3 ADMINISTRATION

- 3.1 Board. The Plan shall be administered by the Board, which shall have the full power and authority to take all actions and to make all determinations required or provided for under the Plan or any Restricted or Deferred Stock Agreement entered into hereunder and all such other actions and determinations not inconsistent with the specific terms and provisions of the Plan deemed by the Board to be necessary or appropriate to the administration of the Plan or any Restricted or Deferred Stock Agreement entered into hereunder. The interpretation and construction by the Board of any provision of the Plan or of any Restricted or Deferred Stock Agreement entered into hereunder shall be final and conclusive.
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3.2 Committee. The Board may from time to time appoint a Committee, and the Board, in its sole discretion, may provide that the role of the Committee shall be limited to making recommendations to the Board concerning any determinations to be made and actions to be taken by the Board pursuant to or with respect to the Plan, or the Board may delegate to the Committee such powers and authorities related to the administration of the Plan, as set forth in Section 3.1 hereof, as the Board shall determine, consistent with the Certificate of Incorporation and Bylaws of the Company and applicable law. In the event that the Plan or any Restricted or Deferred Stock Agreement entered into hereunder provides for any action to be taken by or determination to be made by the Board, such action may be taken by or such determination may be made by the Committee if the power and authority to do so has been delegated to the Committee by the Board as provided for in this Section 3.2. Unless otherwise expressly determined by the Board, any such action or determination by the Committee shall be final and conclusive.

3.3 No Liability. No member of the Board or of the Committee shall be liable for any action or determination made, or any failure to take or make an action or determination, in good faith with respect to the Plan or any Restricted or Deferred Stock Agreement entered into hereunder.

4 STOCK

The Stock that may be issued pursuant to Restricted or Deferred Stock Awards may be treasury shares or authorized but unissued shares. The number of shares of Stock that may be issued pursuant to Restricted or Deferred Stock Awards under the Plan shall not exceed, in the aggregate, 200,000 shares. If any Restricted Stock Award expires, terminates, or is terminated or canceled for any reason prior to vesting in full, the shares that were subject to the forfeited or terminated portion of such Restricted Stock Award shall be available immediately for future grants of Restricted Stock Awards under the Plan.

5 ELIGIBILITY

5.1 Designated Recipients. Restricted Stock and Deferred Stock Awards may be granted under the Plan to any non-employee director of the Company or any Subsidiary or any division of a Subsidiary, as the Board shall determine and designate from time to time.

5.2 Successive Grants. An individual may hold more than one Restricted or Deferred Stock Award, subject to such restrictions as are provided herein.

6 EFFECTIVE DATE AND TERM OF THE PLAN

6.1 Effective Date. The Plan shall be effective as of the date of adoption by the Board, subject to approval by the stockholders of the Company.

6.2 Term. The Plan shall continue until there are no shares available for grant pursuant to Section 4, or unless earlier terminated in accordance with Section 11 hereof.

7 GRANT OF RESTRICTED AND DEFERRED STOCK

7.1 Restricted Stock Awards.

(a) The Board may from time to time, and subject to the provisions of the Plan and such other terms and conditions as the Board may determine, grant Restricted Stock under the Plan. Each Restricted Stock Award shall be evidenced by a written instrument which shall state the number of shares covered by the award and the terms and conditions which the Board shall have determined with respect to such award, including the number of shares that the Holder shall be entitled to receive, and the vesting terms. In accordance with Section 7.3, a certificate representing the shares covered by the award shall be registered in the name of the Holder and shall be delivered to the Holder within 30 days after the vesting of any shares to which the Holder shall be entitled. The Holder shall generally have the rights and privileges of a stockholder of the Company with respect to such shares, including the right to vote and to receive dividends, subject to the restrictions specified in paragraphs (b) and (c).

(b) The Board shall determine a period of time ("Restriction Period") which shall apply to the shares transferred to a Holder with respect to each Restricted Stock Award. Except as otherwise determined by the Board, during the Restriction Period applicable with respect to each Restricted Stock Award, the Holder may not sell, transfer, assign, pledge or otherwise encumber or dispose of the shares covered by such Restricted Stock Award. The Board in its discretion may prescribe conditions for the incremental lapse of the preceding restrictions during the Restriction Period, and for the lapse or termination of such restrictions upon the occurrence of certain events before the expiration of the Restriction Period. The Board in its discretion also may shorten or terminate the Restriction Period or waive any conditions for the lapse or termination of the restrictions with respect to all or any portion of the shares covered by the Restricted Stock Award.

(c) If the Holder terminates board membership with the Company (or any Subsidiary or any division, including advisory boards), due to death, disability, retirement after the age of 70, or failure to be re-elected or re-appointed, the Restricted Stock granted, to the extent not already vested, shall vest in full as of the date of such termination. Voluntary resignation or removal for cause will result in forfeiture of the non-vested grants. The Holder may designate a beneficiary to receive the stock certificate representing that portion of the Restricted Stock award automatically vested upon death. The Holder has the right to change such beneficiary designation at will.

7.2 Restricted Stock and Deferred Stock Agreements. All Restricted and Deferred Stock Awards granted pursuant to the Plan shall be evidenced by Restricted and Deferred Stock Agreements, to be executed by the Company and by the Holder, in such form or forms as the Board shall from time to time determine. Restricted Stock and Deferred Stock Agreements covering Restricted Stock granted from time to time or at the same time need not contain similar provisions; provided, however, that all such Restricted and Deferred Stock Agreements shall comply with all terms of the Plan.

7.3 Certificates for Restricted Stock and Deferred Stock. The Board may cause a legend to be placed on such certificates that complies with the applicable securities laws and regulations and makes appropriate reference to the restrictions to which the shares are subject. Upon attainment of the specified objectives and requirements (or, to the extent specified in the grant, upon the partial attainment of the objectives and requirements), a certificate for the number of shares with respect to which restrictions have lapsed shall be delivered to the Holder free of restrictions.

7.4 Deferred Stock Awards. The Board may from time to time, and subject to the provisions of the Plan and such other terms and conditions as the Board may determine, grant Deferred Stock under the Plan. Each Deferred Stock Award shall be evidenced by a written instrument which shall state the number of shares covered by the award and the terms and conditions with respect to such award. Subject to Section 7.3, a certificate representing the shares covered by the award shall be registered in the name of the Holder and shall be delivered to the Holder within 30 days after the Holder ceases to be a Director. The Holder shall generally have the rights and privileges of a stockholder of the Company, including the right to vote and receive dividends, with respect to such shares. The Holder may designate a beneficiary to receive the stock certificate representing the Deferred Stock award should the Holder die while still a Director. The Holder has the right to change such beneficiary designation at will.

8 REQUIREMENTS OF LAW

The Company shall not be required to issue any shares of Stock under the Plan if the issuance of such shares would constitute a violation by the Holder or by the Company of any provision of any law or regulation of any governmental authority, including without limitation any federal or state securities laws or regulations. If at any time the Company shall determine, in its discretion, that the listing, registration or qualification of any shares of Stock subject to the Plan upon any securities exchange or under any state or federal law, or the consent or approval of any government regulatory body, is necessary or desirable as a condition of, or in connection with, the issuance of shares of Stock hereunder, the Restricted Stock shall remain subject to a risk of forfeiture in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Company. Specifically in connection with the 1933 Act (as now in effect or as hereafter amended), unless a registration statement under such Act is in effect with respect to the shares of Stock covered by the Plan, the Company shall not be required to issue such shares unless the Company has received evidence satisfactory to it that the Holder may acquire such shares pursuant to an exemption from registration under such Act. Any determination in this connection by the Company shall be final, binding, and conclusive. The Company may, but shall in no event be obligated to, register any securities covered hereby pursuant to the 1933 Act (as now in effect or as hereafter amended). The Company shall not be obligated to take any affirmative action in order to cause the issuance of shares of Stock pursuant thereto to comply with any law or regulation of any governmental authority. As to any jurisdiction that expressly imposes the requirement that the Restricted Stock or Deferred Stock shall remain subject to a risk of forfeiture unless and until the shares of Stock covered by the Plan are registered or are subject to an available exemption from registration, the termination of the risk of forfeiture as to the Restricted Stock (under circumstances in which the laws of such jurisdiction apply) shall be deemed conditioned upon the effectiveness of such registration or the availability of such an exemption.

9 TRANSFERABILITY OF RESTRICTED STOCK; RESTRICTIONS ON STOCK

No Restricted Stock shall be assignable or transferable, other than by will or the laws of descent and distribution, before the later of (i) the end of the Restriction Period and (ii) satisfaction of any other applicable performance and service requirements with respect to such shares, as set forth in the applicable Restricted Stock Agreement. Deferred Stock is subject to the limitations contained in the definition thereof and in Section 7.4.

10 PARACHUTE LIMITATIONS

Notwithstanding any other provision of this Plan or of any other agreement, contract, or understanding heretofore or hereafter entered into by the Holder with the Company, except an agreement, contract, or understanding hereafter entered into that expressly modifies or excludes application of this paragraph (an "Other Agreement"), and notwithstanding any formal or informal plan or other arrangement for the direct or indirect provision of compensation to the Holder (including groups or classes of participants or beneficiaries of which the Holder is a member), whether or not such compensation is deferred, is in cash, or is in the form of a benefit to or for the Holder (a "Benefit Arrangement"), if the Holder is a "disqualified individual," as defined in Section 280G(c) of the Code, any Restricted Stock or Deferred Stock held by that Holder and any right to receive any payment or other benefit under this Plan shall not become vested (i) to the extent that such right to vesting, payment, or benefit, taking into account all other rights, payments, or benefits to or for the Holder under this Plan, all Other Agreements, and all Benefit Arrangements, would cause any payment or benefit to the Holder under this Plan to be considered a "Parachute Payment" within the meaning of Section 280G(b)(2) of the Code as then in effect (a "Parachute Payment") and (ii) if, as a result of receiving a Parachute Payment, the aggregate after-tax amounts received by the Holder from the Company under this Plan, all Other Agreements, and all Benefit Arrangements would be less than the maximum after-tax amount that could be received by him or her without causing any such payment or benefit to be considered a Parachute Payment. In the event that the receipt of any such right to vesting, payment, or benefit under this Plan, in conjunction with all other rights, payments, or benefits to or for the Holder under any Other Agreement or any Benefit Arrangement would cause the Holder to be considered to have received a Parachute Payment under this Plan that would have the effect of decreasing the after-tax amount received by the Holder as described in clause (ii) of the preceding sentence, then the Holder shall have the right, in the Holder's sole discretion, to designate those rights, payments, or benefits under this Plan, any Other Agreements, and any Benefit Arrangements that should be reduced or eliminated so as to avoid having the payment or benefit to the Holder under this Plan be deemed to be a Parachute Payment.

11 AMENDMENT AND TERMINATION OF THE PLAN

The Board may, at any time and from time to time, amend, suspend, or terminate the Plan as to any shares as to which Restricted or Deferred Stock Awards have not been granted. Except as permitted under this Section 11 or Section 13 hereof, no amendment, suspension, or termination of the Plan shall, without the consent of the Holder of the Restricted or Deferred Stock, alter or impair rights or obligations under any Restricted or Deferred Stock theretofore granted under the Plan.

12 EXCHANGE ACT: RULE 16B-3

12.1 General. The Plan is intended to comply with Rule 16b-3 ("Rule 16b-3") under the Exchange Act. Any provision inconsistent with Rule 16b-3 shall, to the extent permitted by law and determined to be advisable by the Board, be inoperative and void.

12.2 Additional Restriction on Transfer of Stock. No director, officer or other "insider" of the Corporation subject to Section 16 of the Exchange Act shall be permitted to sell shares (which such "insider" had received as Restricted Stock) during the six months immediately following the grant of such Restricted Stock Award.

13 EFFECT OF CHANGES IN CAPITALIZATION

13.1 Changes in Stock. If the number of outstanding shares of Stock is increased or decreased or the shares are changed into or exchanged for a different number or kind of shares or other securities of the Company on account of any recapitalization, reclassification, stock split, reverse split, combination of shares, exchange of shares, stock dividend or other distribution payable in capital stock, or other increase or decrease in such shares effected without receipt of consideration by the Company, occurring after the Effective Date, the number and kinds of shares for the issuance of which Restricted or Deferred Stock Awards may be granted shall be adjusted proportionately and accordingly by the Company.

13.2 Change of Control. Upon a Change of Control of the Company, unvested Restricted Stock Awards shall cease being subject to a risk of forfeiture, any Limitation Period shall expire, and all Restricted Stock Awards will be fully vested.

13.3 Adjustments. Adjustments under this Section 13 related to shares of Stock or securities of the Company shall be made by the Board, whose determination in that respect shall be final, binding, and conclusive. No fractional shares or units of other securities shall be issued pursuant to any such adjustment, and any fractions resulting from any such adjustment shall be eliminated in each case by rounding downward to the nearest whole share or unit.

13.4 No Limitations on Company. The grant of Restricted or Deferred Stock Awards pursuant to the Plan shall not affect or limit in any way the right or power of the Company to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure or to merge, consolidate, dissolve, or liquidate, or to sell or transfer all or any part of its business or assets.

14 DISCLAIMER OF RIGHTS

No provision in the Plan or in any Restricted or Deferred Stock Award granted or Agreement entered into pursuant to the Plan shall be construed to confer upon any individual the right to remain in the employ or service of the Company, any Subsidiary or any Affiliate, or to interfere in any way with any contractual or other right or authority of the Company, any Subsidiary or any Affiliate either to increase or decrease the compensation or other payments to any individual at any time, or to terminate any other relationship between any individual and the Company, a Subsidiary or an Affiliate. The obligation of the Company to pay any benefits pursuant to this Plan shall be interpreted as a contractual obligation to pay only those amounts described herein, in the manner and under the conditions prescribed herein. The Plan shall in no way be interpreted to require the Company to transfer any amounts to a third party trustee or otherwise hold any amounts in trust or escrow for payment to any participant or beneficiary under the terms of the Plan.

15 NONEXCLUSIVITY OF THE PLAN

The adoption of the Plan shall not be construed as creating any limitations upon the right and authority of the Board to adopt such other incentive compensation arrangements (which arrangements may be applicable either generally to a class or classes of individuals or specifically to a particular individual or particular individuals) as the Board in its discretion determines desirable, including, without limitation, the granting of Restricted or Deferred Stock otherwise than under the Plan.

16 CAPTIONS

The use of captions in this Plan or any Agreement is for the convenience of reference only and shall not affect the meaning of any provision of the Plan or such Agreement.

17 OTHER PROVISIONS

Each Restricted or Deferred Stock Award granted under the Plan may contain such other terms and conditions not inconsistent with the Plan as may be determined by the Board, in its sole discretion.

18 NUMBER AND GENDER

With respect to words used in this Plan, the singular form shall include the plural form, the masculine gender shall include the feminine gender, etc., as the context requires.

19 SEVERABILITY

If any provision of the Plan or any Agreement shall be determined to be illegal or unenforceable by any court of law in any jurisdiction, the remaining provisions hereof and thereof shall be severable and enforceable in accordance with their terms, and all provisions shall remain enforceable in any other jurisdiction.

20 GOVERNING LAW

The validity and construction of this Plan and the instruments evidencing the Restricted Stock Awards granted hereunder shall be governed by the laws of the State of New York, without regard to any applicable conflicts of laws rules.

The Plan was duly adopted and approved by the Board of Directors of the Company on the __ day of __ , 2003.

/s/ _____
Secretary of the Company

The Plan was duly adopted and approved by the stockholders of the Company on the day __ of __ , 2003.

/s/ _____
Secretary of the Company

NBT BANCORP INC. PERFORMANCE SHARE PLAN EFFECTIVE MAY 1, 2003

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I GENERAL

1.1 Purpose. The purposes of the Plan are to retain officers and other key employees, to support the achievement of the Company's strategic business objectives, and to encourage increased ownership of Company stock by officers and other key employees by providing to such persons competitive long-term incentive opportunities that are linked to the profitability of the Company's business and increases in stockholder value. The Plan is to be maintained primarily for a select group of management and highly compensated employees.

1.2 Effective Date. The Plan shall become effective as of May 1, 2003, subject to its approval by the Company's stockholders.

II DEFINITIONS

2.1 "Beneficiary" means the person or persons so designated by a Participant pursuant to Section 5.4.

2.2 "Board of Directors" means the Board of Directors of the Company.

2.3 "Cause" shall mean the commission of 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.

2.4 "Change in Control" of the Company means

(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% 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 stockholders, 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 stockholders of the Company of any plan or proposal for the liquidation or dissolution of the Company.
- 2.5 "Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.
- 2.6 "Committee" means the committee referred to in Section 6.1.
- 2.7 "Common Stock" means common stock, par value \$0.01 per share, of the Company.
- 2.8 "Company" means NBT Bancorp Inc.
- 2.9 "Covered Employee" means any Participant who is or may be a "Covered Employee," within the meaning of Section 162(m)(3) of the Code, in the year in which the payment of any shares of Common Stock in satisfaction of a Performance Share award will be taxable to such Participant.
- 2.10 "Disability" shall have the same meaning as under the Company-sponsored long-term disability plan under which the applicable Participant is then eligible to participate or, if the Participant is not then eligible to participate in such plan, the Participant shall be considered to be disabled if he or she is eligible for disability benefits from the Social Security Administration.
- 2.11 "Eligibility Period" means a period, as determined by the Committee pursuant to Section 4.1.
- 2.12 "Fair Market Value" means the value of each Share subject to the Plan determined as follows: if on the Grant Date or other determination date the shares of Stock are listed on an established national or regional stock exchange, are admitted to quotation on the National Association of Securities Dealers Automated Quotation System, or are publicly traded on an established securities market, the Fair Market Value of the shares shall be the average price between the high and the low sale price of the shares on such exchange or in such market on the trading day immediately preceding the Grant Date or, if no sale of the shares is reported for such trading day, on the next preceding day on which any sale shall have been reported. If the shares are not listed on such an exchange, quoted on such System or traded on such a market, Fair Market Value shall be determined by the Board in good faith.
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- 2.13 "Good Reason" means the termination by the Participant of employment for "Good Reason" based on any of the following:
- (i) A change in the Participant's position(s) with the Company, other than for Cause is in effect immediately prior to the Change in Control, without the consent of the Participant.
 - (ii) A decrease by the Company in the Participant's salary or benefits as in effect immediately prior to the Change in Control.
- 2.14 "Non-Employee Director" means a member of the Board of Directors who qualifies as (i) a "non-employee director," as defined in Rule 16b-3, as promulgated by the Securities Exchange Commission under the Securities Exchange Act of 1934, or any successor definition adopted by the Securities Exchange Commission, and as (ii) an "outside director," as defined in Section 1.162-27(e)(3) of the Treasury Regulations issued under Section 162(m) of the Code, or any successor definition adopted by the Department of the Treasury.
- 2.15 "Normal Retirement" means termination of employment after attainment of age 65 or such earlier age as is provided or has been provided in a Supplemental Executive Retirement Plan with respect to a person participating in the Plan which was in effect at any time during the Performance Period. However, the Committee, within its discretion, may determine that a Participant who terminates employment prior to age 65 has terminated by virtue of Normal Retirement.
- 2.16 "Participant" means a person who is designated, pursuant to Article III, to be eligible to receive benefits under the Plan.
- 2.17 "Performance Goals" means the performance standards established by the Committee pursuant to Section 4.4.
- 2.18 "Performance Period" means a period of service, as determined pursuant to Section 4.2, over which the extent of achievement of established Performance Goals will be measured. For purposes of applying to Covered Employees the various rules of the performance-based compensation exemption under Section 162(m)(4)(C) of the Code and the Treasury Regulations issued thereunder, the Performance Period shall be the "period of service to which the Performance Goals relate" (as defined in Treasury Regulation Section 1.162-27(e) (2)).
- 2.19 "Performance Share" means an award, designated in terms of a share of Common Stock, granted pursuant to the Plan.
- 2.20 "Person" means and includes 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.
- 2.21 "Plan" means this NBT Bancorp Inc. Performance Share Plan, as amended from time to time.
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2.22 "Pro-rated" or "Pro-rata" means, for purposes of determining the amount of Common Stock payable to a Participant whose eligibility to participate in the Plan with respect to an Eligibility Period ceases prior to the end of such Eligibility Period for any of the reasons described in subsection (a) (b) (c) (d) or (e) of Section 5.3, the percentage to be applied to the Common Stock that would have been payable at the end of the Performance Period to such Participant if he had been eligible to participate for the entire Eligibility Period. Such percentage shall equal the number of months (rounded to the nearest whole month) of the Eligibility Period during which the Participant was designated by the Committee as eligible to participate in the Plan divided by the number of months (rounded to the nearest whole month) in such Eligibility Period. A Participant who, pursuant to Section 3.2 but subject to the limitations of Section 4.3, is designated as eligible to participate in the Plan after the applicable Eligibility Period has commenced, shall, for purposes of this Section 2.21, be deemed to have been eligible as of the beginning of such Eligibility Period; provided, however, that the Committee shall, in accordance with its authority under Section 4.8, have the discretion to reduce the Pro-rated Common Stock award that is otherwise payable to such Participant to account for such late commencement of participation.

2.23 "Voting Securities" means securities of the Company having the right to vote at elections of members of the Board of Directors.

III ELIGIBILITY AND PARTICIPATION

3.1 Eligibility. Participation in the Plan shall be limited to officers and other key employees of the Company or any of its subsidiaries or other affiliates who are designated to be eligible by the Committee.

3.2 Participation in Performance Share Awards. The Committee will determine the persons who will participate for each Eligibility Period under the Plan. Subject to Section 4.3, after an Eligibility Period has commenced, persons may be designated as eligible to participate in the Plan with respect to such Eligibility Period. The award of Performance Shares with respect to a Performance Period contained in any Eligibility Period does not guarantee participation in subsequent Eligibility Periods.

IV PLAN DESIGN

4.1 Eligibility Period. An Eligibility Period is a certain period of time, as determined by the Committee, over which eligibility to receive benefits under the Plan shall be measured. Eligibility Periods under the Plans shall commence and terminate as determined by the Committee in its sole discretion. The Committee may establish a separate Eligibility Period for persons determined to be eligible for participation after the commencement of any Eligibility Period.

4.2 Performance Period. Each Eligibility Period under the Plan shall include a Performance Period which shall be a specified period of service over which the achievement of applicable Performance Goals will be measured. Performance Periods shall commence and terminate as determined by the Committee, provided that each such Performance Period shall commence coincident with or after the commencement of the corresponding Eligibility Period and shall terminate coincident with or prior to the termination of the corresponding Eligibility Period. Notwithstanding the foregoing, in the event of a Change of Control, the Performance Period shall terminate.

The Committee may also establish a separate Performance Period for persons determined to be eligible for participation after the commencement of any Performance Period.

4.3 Performance Share Awards. On or about the commencement of each Eligibility Period under the Plan, the Committee shall establish the minimum and maximum Performance Shares that may be awarded to each Participant in the Plan for such Eligibility Period and the basis for such awards. The Committee may also award Performance Shares to persons determined to be eligible for participation after the commencement of any Eligibility Period. Performance Shares must be awarded to Covered Employees at a time when the outcome of the Performance Goals established or to be established for the applicable Performance Period is substantially uncertain. The Performance Shares awarded to any Covered Employee and the terms and conditions applicable to such Performance Shares must be finalized in writing by the Committee as soon as is practicable. Each award of Performance Shares under the Plan shall be evidenced by a written "Notice of Award," which shall be signed by an authorized officer of the Company and by the Participant and shall contain such terms and conditions as are approved by the Committee. Such terms and conditions need not be the same in all cases.

4.4 Performance Goals.

(a) Performance Goals with respect to each Performance Period shall be established by the Committee. The Committee may in its discretion adjust the terms of such Performance Goals; provided that Performance Goals applied to Covered Employees ("Covered Employees' Performance Goals") shall not be adjusted. No Covered Employees' Performance Goals shall be adjusted at a time when the outcome of such Performance Goals is no longer substantially uncertain. Covered Employees' Performance Goals must be finalized in writing by the Committee on or prior to the applicable adjustment deadline described in the preceding sentences.

(b) The Performance Goals set by the Committee shall be based on specified criteria as determined by the Committee, which shall specify the manner in which such Performance Goals shall be calculated. Covered Employees' Performance Goals shall be based on objective business criteria, which shall include but not be limited to one or more of the following: earnings per share, total shareholder return, operating earnings, growth in assets, return on equity, return on capital, market share, stock price, net income, cash flow, and retained earnings. Performance Goals also may be based upon the attainment of specified levels of performance of the Company under one or more of the measures described above relative to the performance of other corporations.

(c) All of the provisions of this Section 4.4 are subject to the requirement that all Covered Employees' Performance Goals shall be objective performance goals satisfying the requirement for "performance-based compensation" within the meaning of Section 162(m)(4) of the Code and the Treasury Regulations issued thereunder.

4.5 Available Common Stock. The maximum number of shares of Common Stock which shall be available for distribution in satisfaction of awards under the Plan shall not exceed 300,000, subject to adjustment as provided in Section 4.6. The shares of Common Stock available for issuance under the Plan may be authorized and unissued shares or treasury shares or may be purchased in the open market.

4.6 Adjustment to Shares. In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, stock split, extraordinary distribution with respect to Common Stock or other change in corporate structure affecting such Common Stock, the Committee may make such substitution or adjustments in the aggregate number and kind of shares reserved for issuance under the Plan or in the number and kind of shares subject to outstanding Performance Share awards under the Plan. The Committee shall make such substitutions or adjustments as in its discretion it determines to be appropriate and equitable to prevent dilution or enlargement of rights hereunder; provided, however, that the number of shares of Common Stock subject to any Performance Share award shall always be a whole number.

4.7 Maximum Award. The maximum number of shares of Common Stock that may be issued to any Covered Employee with respect to any Eligibility Period pursuant to any Performance Share award is 50,000, subject to adjustment as provided in Section 4.6. This limit includes any portion or amount of Common Stock that is withheld for taxes (as described in Section 5.2).

4.8 Committee Discretion to Adjust Awards. At any time prior to the time the Committee determines, pursuant to Section 5.1, the amount of shares of Common Stock that are to be paid to any Participant in satisfaction of a Performance Share award hereunder, the Committee shall have the authority to modify, amend, or adjust the terms and conditions of such Performance Share award, the terms and conditions of the corresponding Performance Goals, and/or the amount of Common Stock payable, provided, however, such authority to modify, amend or adjust the terms and conditions of such Performance Share award shall be exercised to reduce an award only in unusual circumstances not anticipated in the original design of the Plan including, but not limited to non-recurring events or changes in the tax law or accounting rules. However, the Committee shall have no authority to increase directly or indirectly or to otherwise adjust upwards the amount of Common Stock payable to a Covered Employee with respect to a particular Performance Share award or to take any other action to the extent that such action or the Committee's ability to take such action would cause any payment under the Plan to any Covered Employee to fail to qualify as "performance-based compensation" within the meaning of Code Section 162(m)(4) and the Treasury Regulations issued thereunder.

5.1 Committee Determination of Common Stock Payable. After a Performance Period has ended, each Participant who has been awarded Performance Shares and satisfied the Performance Goals with respect to such Performance Period shall be entitled to receive a specified number of shares of Common Stock as determined by the Committee which shall meet within thirty days after the end of the Performance Period in order to make such determination. The Committee shall determine the extent to which the Performance Goals set pursuant to Section 4.4 have been met (as Pro-rated in accordance with Section 5.3, if applicable). With respect to Performance Shares awarded to Covered Employees, no payment of Common Stock shall be made hereunder prior to written certification by the Committee that the applicable Performance Goal or Goals have been satisfied to a particular extent for the Performance Period, and no Common Stock shall be payable unless a preestablished minimum level of achievement of the Performance Goals has been met. The date on which the Committee determines the number of shares of Common Stock payable to a Participant shall be the date on which such Participant will become the owner of such shares, regardless of when the underlying stock certificate or certificates are actually delivered to such Participant, and such Participant will enjoy all rights of ownership of such shares of Common Stock as of that date including the right to vote and receive dividends (the "Ownership Date").

5.2 Timing and Form of Payment.

(a) Shares of Common Stock payable to Participants pursuant to Section 5.1 shall be distributed two years (or such other period as has been specified by the Committee at the time the Performance Goals were determined with respect to such Shares) following the end of the Performance Period, provided the Participant is then in the employ of the Company and on such date the Participant will become the owner of such shares, regardless of when the underlying stock certificate or certificates are actually delivered to such Participant; if the Participant is not then in the employ of the Company, such shares will be forfeited and be available immediately for future awards of Performance Shares.

(b) The Company shall have the right to deduct first from distributions hereunder any federal, state, or local taxes required by law to be withheld with respect to such distributions, and such additional amounts of withholding as are reasonably requested by the Participant from sources available to the Company. If such sources are insufficient to satisfy the withholding obligations, the Company shall have the right to deduct amounts from the Common Stock distributable to satisfy such withholding obligations.

5.3 Distribution upon Termination of Employment.

(a) Death. If a Participant in the Plan dies while in the employ of the Company before the end of an Eligibility Period for which Performance Shares have been granted to him, such Participant's Beneficiary will be eligible for a Prorated portion of the Performance Shares that would have otherwise been payable to the Participant after the end of the applicable Performance Period without regard to subsection 5.2(a), but otherwise this distribution, if any is payable, will be made to the Beneficiary in the same form as all other Participants under the Plan receive their distributions with respect to that Performance Period. Additionally, shares of Common Stock that were otherwise distributable except that the two-year period described in subsection 5.2(a) had not been completed, shall be distributed to the Beneficiary as soon as is practicable.

(b) Disability. If a Participant in the Plan, upon becoming Disabled, terminates employment with the Company before the end of an Eligibility Period for which Performance Shares have been granted to him, the Participant will be eligible for a Pro-rated portion of the Performance Shares that would have otherwise been payable to him after the end of the applicable Performance Period without regard to subsection 5.2(a), but otherwise this distribution, if any is payable, will be made to the Participant in the same form as all other Participants under the Plan receive their distributions with respect to that Performance Period. Additionally, shares of Common Stock that were otherwise distributable except that the two-year period described in subsection 5.2(a) had not been completed, shall be distributed to the Participant as soon as is practicable.

(c) Normal Retirement. If a Participant in the Plan terminates employment upon attaining Normal Retirement before the end of an Eligibility Period for which Performance Shares have been granted to him, the Participant will be eligible for a Pro-rated portion of the Performance Shares that would have otherwise been payable to him after the end of the applicable Performance Period without regard to subsection 5.2(a), but otherwise this distribution, if any is payable, will be made to the Participant in the same form as all other Participants under the Plan receive their distributions with respect to that Performance Period. Additionally, shares of Common Stock that were otherwise distributable except that the two-year period described in subsection 5.2(a) had not been completed, shall be distributed to the Participant as soon as is practicable.

(d) Termination of Employment Without Cause. If (i) the Company terminates a Participant's employment other than for Cause, for any reason after a Change in Control or (ii) the Participant terminates the Participant's employment at the request of the Company, before the end of an Eligibility Period for which Performance Shares have been granted to him, the Participant will be eligible for a Pro-rated portion of the Performance Shares that would have otherwise been payable to him after the end of the applicable Performance Period without regard to subsection 5.2(a); provided, however, that calculations will be based on performance figures that are no less than those contained in the budget of the Company as of the date of such termination of employment, if such calculations will result in a greater distribution to such Participant. This distribution, if any is payable, will be made to the Participant in the same form as all other Participants under the Plan receive their distributions with respect to that Performance Period. Additionally, shares of Common Stock that were otherwise distributable except that the two-year period described in subsection 5.2(a) had not been completed, shall be distributed to the Participant as soon as is practicable.

(e) Termination of Employment for Good Reason. If the Participant terminates the Participant's employment for Good Reason, before the end of an Eligibility Period for which Performance Shares have been granted to him, the Participant will be eligible for a Pro-rated portion of the Performance Shares that would have otherwise been payable to him after the end of the applicable Performance Period without regard to subsection 5.2(a); provided, however, that calculations will be based on performance figures that are no less than those contained in the budget of the Company as of the date of such termination of employment, if such calculations will result in a greater distribution to such Participant. This distribution, if any is payable, will be made to the Participant in the same form as all other Participants under the Plan receive their distributions with respect to that Performance Period. Additionally, shares of Common Stock that were otherwise distributable except that the two-year period described in subsection 5.2(a) had not been completed, shall be distributed to the Participant as soon as is practicable.

(f) Other Termination of Employment. If, before the end of an Eligibility Period for which Performance Shares have been granted to him, a Participant in the Plan incurs a termination of employment for any reason other than those specified in subsections (a)-(e) of this Section 5.3, whether voluntary or involuntary and a Change of Control has not occurred, he shall forfeit all rights to receive any distribution of Performance Shares with respect to such Eligibility Period.

5.4 Beneficiary Designation. A Participant may designate a Beneficiary who is to receive, upon his death, the distributions that otherwise would have been paid to him. All designations shall be in writing and shall be effective only if and when delivered to the Executive Vice President of Human Resources of the Company during the lifetime of the Participant. If a Participant designates a Beneficiary without providing in the designation that the Beneficiary must be living at the time of each distribution, the designation shall vest in all of the distribution whether payable before or after the Beneficiary's death, and any distributions remaining upon the Beneficiary's death shall be made to the Beneficiary's estate.

A Participant may from time to time during his lifetime change his Beneficiary by a written instrument delivered to the Executive Vice President of Human Resources of the Company. In the event a Participant shall not designate a Beneficiary as aforesaid, or if for any reasons such designation shall be ineffective, in whole or in part, the distribution that otherwise would have been paid to such Participant shall be paid to his estate, and in such event the term "Beneficiary" shall include his estate.

VI ADMINISTRATION

6.1 Committee. The Plan shall be administered by the Board of Directors, or such other Committee of the Board of Directors, composed exclusively of not less than two Non-Employee Directors, each of whom shall be appointed by and serve at the pleasure of the Board of Directors. The Committee may designate person(s) who are Company employees to oversee the day to day administration of the Plan.

6.2 General Rights, Powers, and Duties of Committee. The Committee shall be responsible for the management, operation, and administration of the Plan. Subject to the limitations contained in Section 4.8 and to the remaining terms of the Plan, the Committee shall, in addition to those provided elsewhere in the Plan, have the following powers, rights, and duties:

- (a) To maintain records concerning the Plan sufficient to prepare reports, returns and other information required by the Plan or by law;
- (b) To direct the payment of benefits under the Plan, and to give such other directions and instructions as may be necessary for the proper administration of the Plan; and
- (c) To be responsible for the preparation, filing and disclosure on behalf of the Plan of such documents and reports as are required by any applicable federal or state law.

The Committee shall also have the authority to adopt, alter, and repeal such administrative rules, guidelines, and practices governing the Plan as it shall, from time to time, deem advisable, to interpret the terms and provisions of the Plan and any award issued under the Plan (and any Notice of Award or other agreement relating thereto), and to otherwise supervise the administration of the Plan.

Any determination made by the Committee pursuant to the provisions of the Plan with respect to any grants, payments, or other transactions under the Plan shall be made in the sole discretion of the Committee at the time of the grant, payment, or other transaction or, unless in contravention of any express term of the Plan, at any time thereafter. All decisions made by the Committee pursuant to the provisions of the Plan shall be final and binding on all persons, including the Company and Plan Participants.

6.3 Information to be Furnished to Committee. Participants and their Beneficiaries shall furnish to the Committee such evidence, data, or information and execute such documents as the Committee requests.

6.4 Responsibility and Indemnification. No member of the Committee or of the Board of Directors or any person who is designated to oversee the day to day administration of the Plan (as provided in Section 6.1) shall be liable to any person for any action taken or omitted in connection with the administration of this Plan unless attributable to his own fraud or willful misconduct; nor shall the Company be liable to any person for any such action unless attributable to fraud or willful misconduct on the part of a director, officer, or employee of the Company within the scope of his Company duties. Each member of the Committee shall be indemnified and held harmless by the Company for any liability arising out of the administration of the Plan, to the maximum extent permitted by law.

VII AMENDMENT AND TERMINATION

7.1 Amendment. The Plan may be amended in whole or in part by the Company, by action of the Board of Directors, at any time. The Committee reserves the unilateral right to change any rule under the Plan if it deems such a change necessary to avoid the application of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), to the Plan. No amendment shall be made without the approval of the Company's stockholders to the extent such approval is required by law or by agreement.

7.2 Company's Right to Terminate. The Company reserves the sole right to terminate the Plan, by action of the Board of Directors, at any time.

VIII MISCELLANEOUS

8.1 To Implied Rights; Rights on Termination of Service. Neither the establishment of the Plan nor any amendment thereof shall be construed as giving any Participant, Beneficiary, or any other person any legal or equitable right unless such right shall be specifically provided for in the Plan or conferred by specific action of the Committee in accordance with the terms and provisions of the Plan. Except as expressly provided in this Plan, the Company shall not be required or be liable to make any payment under the Plan.

8.2 No Right to Company Assets. Neither the Participant nor any other person shall acquire, by reason of the Plan, any right in or title to any assets, funds or property of the Company whatsoever including, without limiting the generality of the foregoing, any specific funds, assets, or other property which the Company, in its sole discretion, may set aside in anticipation of a liability hereunder. Any benefits which become payable hereunder shall be paid from the general assets of the Company. The Participant shall have only a contractual right to the amounts, if any, payable hereunder unsecured by any asset of the Company. Nothing contained in the Plan constitutes a guarantee by the Company that the assets of the Company shall be sufficient to pay any benefit to any person.

8.3 No Employment Rights. Nothing herein shall constitute a contract of employment or of continuing service or in any manner obligate the Company to continue the services of the Participant, shall obligate the Participant to continue in the service of the Company, or shall serve as a limitation of the right of the Company to discharge any of its employees, with or without cause. Nothing herein shall be construed as fixing or regulating the compensation payable to the Participant.

8.4 Other Benefits. No Common Stock paid under the Plan shall be considered compensation for purposes of computing benefits under any "employee benefit plan" (as defined in Section 3(3) of ERISA) of the Company nor affect any benefits or compensation under any other benefit or compensation plan of the Company now or subsequently in effect (except as provided to the contrary in such Company plan).

8.5 Offset. If, at the time payments are to be made hereunder, the Participant or the Beneficiary or both are indebted or obligated to the Company, then the payments under the Plan remaining to be made to the Participant or the Beneficiary or both may, at the discretion of the Company, be reduced by the amount of such indebtedness or obligation, provided, however, that an election by the Company not to reduce any such payment or payments shall not constitute a waiver of its claim for such indebtedness or obligation.

8.6 Non-assignability. Neither the Participant nor any other person shall have any voluntary or involuntary right to commute, sell, assign, pledge, anticipate, mortgage, or otherwise encumber, transfer, hypothecate, or convey in advance of actual receipt the amounts, if any payable hereunder or any part thereof, which are expressly declared to be unassignable and non-transferable. Except as otherwise provided in Section 8.5, no part of the amounts payable prior to actual payment shall be subject to seizure or sequestration for the payment of any debts, judgments, alimony, or separate maintenance owed by the Participant or any other person, or be transferable by operation of law in the event of the Participant's or any other person's bankruptcy or insolvency.

8.7 Notice. Any notice required or permitted to be given under the Plan shall be sufficient if in writing and hand delivered, sent by registered or certified mail, or sent by facsimile to the Company at its principal office, directed to the attention of the Committee c/o the Chief Financial Officer of the Company. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail or facsimile, as of the date shown on the postmark, facsimile, or the receipt for registration or certification.

8.8 Governing Laws. The Plan and all awards made and actions taken under the Plan shall be governed and construed according to the laws of the State of New York, without regard to any applicable conflicts of laws.

8.9 Gender and Number. Where appropriate, references in this Plan to the masculine shall include the feminine, and references to the singular shall include the plural.

8.10 Severability. In the event any provision of the Plan shall be held legally invalid for any reasons, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

January 2009

NBT BANCORP INC. AND SUBSIDIARIES

2009 EXECUTIVE INCENTIVE COMPENSATION PLAN

NBT BANCORP INC. AND SUBSIDIARIES
2009 EXECUTIVE INCENTIVE COMPENSATION PLAN

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APPENDIX A

2009 Executive Incentive Compensation Plan Pay-out Detail

| Corporate Performance/Personal Goals % Split | | | | |
|--|-----------|-----------|----------|-------|
| Level | Executive | Corporate | Personal | Total |
| Level A | Dietrich | 100% | 0% | 100% |
| Level B-1 | Chewens | 66% | 34% | 100% |
| Level B-1 | Raven | 66% | 34% | 100% |
| Level B-2 | Levy | 50% | 50% | 100% |
| Level C | Scarlett | 50% | 50% | 100% |
| Level C | Stagliano | 50% | 50% | 100% |

| Incentive Threshold Payout | Total Level A* |
|----------------------------|----------------|
| Base Line | 37.5% |
| Level 3 | 75.0% |
| Level 4 | 85.0% |
| Level 5 | 90.0% |
| Maximum Incentive Payout | 95.0% |
| | 100.0% |

| | Corp. Payout Level B-1 | Pers. Payout Level B-1 | Total Level B- 1* |
|----------------------------|---------------------------|---------------------------|----------------------|
| Incentive Threshold Payout | 15.5% | 8.0% | 23.5% |
| Base Line | 31.0% | 16.0% | 47.0% |
| Level 3 | 38.8% | 20.0% | 58.8% |
| Level 4 | 46.5% | 24.0% | 70.5% |
| Level 5 | 54.3% | 28.0% | 82.3% |
| Maximum Incentive Payout | 62.0% | 32.0% | 94.0% |

| | Corp. Payout Level B-2 | Pers. Payout Level B-2 | Total Level B- 2* |
|--|---------------------------|---------------------------|----------------------|
| | 11.8% | 11.8% | 23.5% |
| | 23.5% | 23.5% | 47.0% |
| | 29.4% | 29.4% | 58.8% |
| | 35.3% | 35.3% | 70.5% |
| | 41.1% | 41.1% | 82.3% |
| | 47.0% | 47.0% | 94.0% |

| | Corp. Payout Level C | Pers. Payout Level C | Total Level C* |
|----------------------------|----------------------|----------------------|----------------|
| Incentive Threshold Payout | 7.8% | 7.8% | 15.5% |
| Base Line | 15.5% | 15.5% | 31.0% |
| Level 3 | 19.4% | 19.4% | 38.8% |
| Level 4 | 23.3% | 23.2% | 46.5% |
| Level 5 | 27.1% | 27.2% | 54.3% |
| Maximum Incentive Payout | 31.0% | 31.0% | 62.0% |

* % of base salary at appropriate level

NBT BANCORP INC. AND SUBSIDIARIES

Introduction

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

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

Highlights of the 2009 Executive Incentive Compensation Plan (EICP) are listed below:

1. The Plan is competitive compared with similar sized banking organizations and the banking industry in general.
 2. The Compensation Committee of the Board of Directors controls all aspects of the Plan.
 3. All active Executives are eligible for participation.
 4. The financial criteria necessary for Plan operation consist of achieving certain levels of Earnings Per Share (EPS) for the Company and its Subsidiaries as applicable. The Committee may provide in any such Award that any evaluation of performance may include or exclude any of the following events that occur during a Performance Period: (a) the effect of changes in tax laws, accounting principles, or other laws or provisions affecting reported results; (b) any reorganization and restructuring programs; and (c) acquisitions or divestitures and related expenses. To the extent such inclusions or exclusions affect Awards to Covered Employees; they shall be prescribed in a form that meets the requirements of Code Section 162(m) for deductibility.
 5. Incentive distributions will be made on or before March 15 of the year following the Plan Year and will be based on the matrix in Appendix A.
 6. Incentive awards will be based on attainment of corporate goals. Total incentive awards may contain Corporate, Subsidiary, Divisional and Individual components. The Corporate, Subsidiary and Divisional components are awarded by virtue of performance related to pre-established goals and the Individual component is awarded by virtue of individual performance related to individual goals. No bonus will be paid unless the Corporation achieves the threshold EPS goal set forth in Appendix A.
-

NBT BANCORP INC. AND SUBSIDIARIES

The Board of Directors has established this 2009 Executive Incentive Compensation Plan. The 2009 Executive Incentive Compensation Plan is implemented pursuant to the provisions of the 2008 Omnibus Incentive Plan for purposes of paying performance-based compensation within the meaning of Section 162(m) of the Code. The purpose of the Plan is to meet and exceed financial goals and to promote a superior level of performance relative to the competition in our market areas. Through payment of incentive compensation beyond base salaries, the Plan provides reward for meeting and exceeding financial goals.

SECTION I – DEFINITIONS

Various terms used in the Plan are defined as follows:

Award: An award granted under this Plan.

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

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

CEO: The CEO of NBT Bancorp Inc.

Code: The Internal Revenue Code of 1986, as now in effect or as hereafter amended.

Corporate, Subsidiary and Divisional Goals: Those pre-established objectives and goals of NBT Bancorp Inc. or its Subsidiaries and Divisions which are required to activate distribution of awards under the Plan.

Covered Employee: A Participant who is a Covered Employee within the meaning of Section 162(m)(3) of the Code.

Individual Goals: Refers to the performance standards established by the plan participant and agreed to by the supervisor. The participant shall stray from using standards tied to day to day responsibilities and shall strive to achieve such goals that shall be considered value-added and, where possible, support the strategic objectives of the Company.

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

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

Plan Year: The 2009 calendar year.

SECTION II - ELIGIBILITY TO PARTICIPATE

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

SECTION III - ACTIVATING THE PLAN

If and to the extent that the Committee determines that a bonus to be granted under the Plan to a Plan participant who is designated by the Compensation Committee as likely to be a Covered Employee should qualify as “performance-based compensation” for purposes of Code Section 162(m), the bonus as to that Plan participants shall be determined consistently with the terms of the NBT Bancorp Inc. 2008 Omnibus Incentive Plan.

The operation of the Plan is predicated on attaining and exceeding management performance goals. The goals will consist of the attainment of certain Earnings Per Share (EPS) levels as applicable. Non-recurring events, as previously detailed, may be excluded from the financial results at the discretion of the CEO and upon approval of the Compensation Committee; subject to the terms of the NBT Bancorp Inc. 2008 Omnibus Incentive Plan as applied to any Covered Employee whose bonus is intended to qualify for purposes of Code Section 162(m).

EPS goals shall be established not later than 90 days after the beginning of any performance period applicable to the bonus, or at such other date as may be required or permitted for “performance-based compensation” under Code Section 162(m). In addition, the maximum value of a bonus awarded under the Plan to a single Covered Employee may not exceed \$2,000,000 per Plan Year.

Prior to payment of any bonus amount under the Plan to a Covered Employee whose bonus is intended to qualify for purposes of Code Section 162(m), the Compensation Committee shall certify in writing that the EPS goal(s) and all other material terms stated herein have been attained. For this purpose, the approved minutes of a Compensation Committee meeting in which a certification is made shall be treated as a written certification.

The Corporation must achieve a threshold EPS goal set forth in Appendix A to trigger an award pursuant to the terms of this Plan. The bonus awards can range from 0 to 200% of the target award for Plan participants.

SECTION IV - CALCULATION OF AWARDS

The Compensation Committee designates the incentive formula as shown in Appendix A. The Compensation Committee will make final decisions with respect to all incentive awards and will have final approval over all incentive awards. If the threshold EPS goal is met but below the baseline budget threshold established by the Company, the CEO may provide the Compensation Committee with a qualitative analysis of the Company's earnings and its performance which the Compensation Committee shall consider in its exercise of discretion under the plan. Prior to payment of any bonus amount under the Plan to a Covered Employee whose bonus is intended to qualify for purposes of Code Section 162(m), the Compensation Committee shall certify in writing that the EPS goal(s) and all other material terms stated herein have been attained. For this purpose, the approved minutes of a Compensation Committee meeting in which a certification is made shall be treated as a written certification. The individual participant data regarding maximum award and formulas used in calculation has been customized and appears as Appendix A.

SECTION V - SPECIAL RECOMMENDATIONS

As long as the threshold EPS goal is met, the CEO has the authority to recommend to the Compensation Committee the amounts to be awarded to individual participants in the incentive Plan. The CEO may recommend a change outside the formula to a bonus award (increase or decrease) to an individual participant by a specified percentage based on assessment of special individual performance outside the individual goals or based on special circumstances that may have occurred during the plan year; provided, however that as to a Covered Employee whose bonus is intended to qualify for purposes of Code Section 162(m), only the Compensation Committee has the authority to make a change outside the formula to a bonus award and it may exercise its discretion only to reduce the bonus award.

SECTION VI - DISTRIBUTION OF AWARDS

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

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

SECTION VII - PLAN ADMINISTRATION

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

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

SECTION VIII - AMENDMENT, MODIFICATION, SUSPENSION OR TERMINATION

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

SECTION IX – NONEXCLUSIVITY

NBT Bancorp Inc. reserves the right, by and through its Board of Directors and Compensation Committee to award bonus and other forms of incentive compensation outside the terms of this Plan.

SECTION X - EFFECTIVE DATE OF THE PLAN

The effective date of the Plan shall be January 1, 2009.

SECTION XI - EMPLOYER RELATION WITH PARTICIPANTS

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

SECTION XII - GOVERNING LAW

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

CNB Bancorp, Inc.

Long-Term Incentive Compensation Plan

Section I
Purpose

1.1 Purpose. The purpose of the CNB Bancorp, Inc. Long-Term Incentive Compensation Plan (the "Plan") is to provide competitive long-term incentive compensation to Participants that aligns their interests with shareholder interests through share ownership and investment in CNB Bancorp, Inc. ("CNB"), and to encourage long-term growth in shareholder value through the achievement of specified financial objectives.

1.2 Rule 16b-3 Plan. With respect to persons subject to Section 16 of the Act ("Section 16 Persons"), transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successors promulgated under the Act. To the extent any provision of the Plan or action by the Board fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Board.

Moreover, in the event the Plan does not include a provision required by Rule 16b-3 to be stated therein, such provision (other than one relating to eligibility requirements, or the price and amount of Awards) shall be deemed automatically to be incorporated by reference into the Plan insofar as Participants who are Section 16 Persons are concerned, to the extent permitted by law and deemed advisable by the Board.

1.3 Effectiveness of the Plan. The Plan will be effective upon adoption of it by shareholders of CNB as provided in Section 505 of the Business Corporation Law of New York. The Plan will remain in effect until the earlier of the termination date set forth in Section 12.2 hereof or such time as it is amended or terminated by the Board in accordance with the terms of Section 12.2 hereof, except that no Incentive Stock Option may be granted under the Plan on or after ten years from the Effective Date of the Plan.

Section II
Definitions

Unless the context indicates otherwise, the following terms have the meanings set forth below:

- 2.1 "Act" means the Securities and Exchange Act of 1934, as amended.
 - 2.2 "Award" means Options, Restricted Stock or Stock Awards granted pursuant to the Plan.
 - 2.3 "Bank" means City National Bank and Trust Company.
 - 2.4 "Board" means the Board of Directors of CNB.
 - 2.5 "Cause" means, with respect to any certain Participant:
-

- (a) the willful and continued failure by such Participant to substantially perform his or her duties with respect to CNB or any Subsidiary (other than any such failure resulting from his or her incapacity due to physical or mental illness), or
- (b) the conviction of the Participant of a felony involving moral turpitude, or
- (c) the willful engaging by such Participant in conduct which is demonstrably and materially injurious to CNB or a Subsidiary, monetarily or otherwise. For purposes of this Section 2.5, no act or failure to act shall be deemed "willful" if done by the Participant either in good faith and in the reasonable belief that such act or omission was in the best interest of CNB, or before the Board provides the Participant with a written notice and reasonable opportunity to cure the actions or omissions that the Board considers to be grounds for a finding of Cause for purposes of this Plan.

2.6 "Change in Control" means the occurrence of any of the following events:

- (a) Any person or group (as such terms are used in connection with Sections 13(d) and 14(d) of the Act) is or becomes the "beneficial owner" (as defined in Rule 13d-3 and 13d-5 under the Act), directly or indirectly, of securities of CNB representing 50% or more of the combined voting power of CNB's then outstanding securities provided that notwithstanding anything in this definition of beneficial owner to the contrary, no person shall be deemed to be the beneficial owner of, or to beneficially own, any security beneficially owned by another person solely by reason of revocable proxy given in response to a public proxy or consent solicitation or any agreement, arrangement or understanding with such other person relating to the solicitation of revocable proxies made pursuant to, and in accordance with, the applicable provisions of the General Rules and Regulations under the Exchange Act, provided that such other person retains the right at any time to withdraw from, revoke or terminate any such agreement, arrangement or understanding and further provided that such persons would not otherwise be deemed to be a group under Section 13(d) of the Exchange Act or otherwise be deemed to be acting in concert; or
 - (b) CNB is a party to a merger, consolidation, sale of assets or other reorganization, or a proxy contest, as a consequence of which members of the Board in office immediately prior to such transaction or event constitute less than a majority of the Board thereafter; or
 - (c) During any period of 24 consecutive months, individuals who at the beginning of such period constitute the Board (including for this purpose any new director whose election or nomination for election by CNB's stockholders was approved by a vote of at least one-half of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board.; or
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- (d) CNB is party to a merger, consolidation or reorganization with any other corporation in which the shareholders of CNB immediately prior to the merger, consolidation or reorganization do not immediately thereafter directly or indirectly own more than fifty percent (50%) of the combined voting power of the voting securities entitled to vote in the selection of directors of the merged, consolidated or reorganized entity.

Notwithstanding the foregoing, no trust department or designated fiduciary or other trustee of such trust department of CNB or a Subsidiary of CNB or other similar fiduciary capacity of CNB with direct voting control of the stock shall be treated as a person or group within the meaning of subsection (a) hereof. Further, no profit-sharing, employee stock ownership, employee stock purchase and savings, employee pension, or other employee benefit plan of CNB or any of its Subsidiaries, and no Trustee of any such plan in its capacity as such Trustee, shall be treated as a person or group within the meaning of subsection (a) hereof.

- 2.7 "CNB" means CNB Bancorp, Inc., a New York corporation.
- 2.8 "Code" means the Internal Revenue Code of 1986, as amended.
- 2.9 "Committee" means the members of the Compensation Committee as appointed and maintained by the Board who are outside directors within the meaning of Section 162(m) of the Code.
- 2.10 "Common Shares" means the common shares, \$2.50 par value per share, of CNB, which CNB may authorize and issue from time to time.
- 2.11 "Director" means a member of the Board or the board of directors of any Subsidiary.
- 2.12 "Disability" means permanent and total disability as defined under Section 22(e)(3) of the Code.
- 2.13 "Effective Date" means the date the Plan becomes effective.
- 2.14 "Fair Market Value" means that if the Common Shares are listed on a national securities exchange (including the NASDAQ National Market System) on the date in question, then the Fair Market Value per Common Share shall be the average of the highest and lowest selling price on such exchange on such date, or if there were no sales on such date, then the Fair Market Value on such date shall be the mean between the bid and asked price on such date. If the Common Shares are traded otherwise than on a national securities exchange on the date in question, then the Fair Market Value per Common Share shall be the mean between the bid and asked price on such date, or, if there is no bid and asked price on such date, then on the next prior business day on which there was a bid and asked price. If no such bid and asked price is available, then the Fair Market Value per Common Share shall be the fair market value as determined by the Board, in its sole and absolute discretion. In making such determination, the Board may use any of the reasonable valuation methods defined in Treasury Regulation Section 1.421-7(e)(2).
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- 2.15 "Grant Date" as used with respect to Options, means the date as of which such Options are granted by the Committee, pursuant to the Plan.
- 2.16 "Immediate Family" has the meaning set forth in Section 6.7 hereof.
- 2.17 "Incentive Stock Option" or "ISO" means an Option conforming to the requirements of Section 422 of the Code.
- 2.18 "Nonqualified Stock Option" or "NQO" means an Option granted pursuant to the Plan other than an Incentive Stock Option.
- 2.19 "Option" means an option to purchase Common Shares granted by the Board or the Committee pursuant to the Plan, which may be designated as either an "Incentive Stock Option" or a "Nonqualified Stock Option."
- 2.20 "Option Agreement" has the meaning set forth in Section 6.2 hereof.
- 2.21 "Option Price" has the meaning set forth in Section 6.3 hereof.
- 2.22 "Participant" means a person described in Section V hereof.
- 2.23 "Permissible Transferees" and "Permissible Transferee" have the meanings set forth in Section 6.7 hereof.
- 2.24 "Plan" means the CNB Bancorp, Inc. Long-Term Incentive Compensation Plan as set forth herein and as may be amended from time to time, subject to Section 12.1 hereof.
- 2.25 "Restricted Stock Award" or "Restricted Stock" means an award of Common Shares with restrictions placed on the sale, transfer or pledging of the shares, and a risk of forfeiture during the restriction period.
- 2.26 "Retirement" means a Participant's voluntarily leaving the employment of CNB or a Subsidiary on or after attainment of the minimum age of sixty-two (62).
- 2.27 "Section 16 Persons" has the meaning set forth in Section 1.2 hereof.
- 2.28 "Stock Award" means an award of the Common Shares.
- 2.29 "Subsidiary" means a corporation at least 50% of the total combined voting power of all classes of stock of which is owned by CNB, either directly or through one or more other Subsidiaries.
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Section III
Administration of the Plan

3.1 The Committee. The Plan shall be administered by the Committee which shall act only by the vote or written consent of at least a majority of its members. The members of the Committee shall be appointed from time to time by, and shall serve at the discretion of the Board. It is the intent of the Committee to administer the Plan in a manner that qualifies Awards, to the extent possible, as excludable from the deduction limit set forth under Section 162(m) of the Code.

3.2 Authority of the Committee. Subject to the terms and conditions of the Plan, the Committee shall have all powers and discretion necessary or appropriate to administer the Plan and to control its operation, including, but not limited to, the power (a) to determine which employees shall be granted Awards, (b) to prescribe the terms, conditions and vesting schedule, if any, of such Awards, (c) to determine the amount and form of Awards granted to Participants, (d) to interpret the Plan and the Awards, (e) to adopt rules for the administration, interpretation and application of the Plan as are consistent therewith, and (f) to interpret, amend or revoke any such rules subject to Section 12.1 hereof.

The Committee, in their sole discretion and on such terms and conditions as they may provide, may delegate their duties in order to provide for the day-to-day administration of the Plan. The Committee shall control the general administration of the Plan with all powers necessary to enable it to carry out its duties in that respect; provided, however, that the Committee may not delegate its authority and powers (a) with respect to Section 16 Persons, or (b) in any way which is impermissible under Code Section 162(m) or the rules and regulations promulgated thereunder.

3.3 Decisions Binding. All determinations and decisions made by the Committee shall be final, conclusive, and binding on all parties, and shall be given the maximum deference permitted by law.

Section IV
Shares Subject to the Plan

4.1 Shares Subject to Plan. CNB shall reserve 225,000 Common Shares for issuance under this Plan, subject to adjustment pursuant to Section 4.2 hereof. Common Shares may be now or hereafter (1) authorized, (2) issued and owned, and (3) shares held in a grantor trust. If and to the extent that any rights with respect to Common Shares shall not be exercised by any Participant for any reason or if such rights shall terminate as provided herein, Common Shares that have not been allocated to such Participant under the Plan shall again become available for allocation to Participants as provided herein.

4.2 Change in Capitalization. In the event of a change in the capitalization of CNB due to a share split, share dividend, recapitalization, merger, consolidation, combination, or similar event or as may otherwise be equitably required as determined by the aggregate number of Common Shares, the terms of any existing Awards shall be automatically adjusted in proportion to the change in capitalization.

Section V Eligibility

The Committee shall have the discretion to select directors, officers, executives, managers, consultants, and other key employees of CNB and its Subsidiaries for participation in the Plan. The discretion of the Committee to select such Participants shall be absolute and no person otherwise eligible for participation shall have any right to participate. Only persons so selected shall be deemed "Participants" for purposes hereof.

Section VI Stock Options

6.1 Grant of Options. Options may be granted to Participants, subject to the provisions of the Plan, at any time and from time to time, as determined in the sole discretion of the Committee. The Committee shall in its sole discretion, determine the number of Options granted to each Participant; provided, however, that in any one calendar year, no one Participant shall be granted Options to purchase a number of Common Shares in excess of 50,000, adjusted for any stock dividends, stock splits, reverse stock splits, recapitalization, mergers or consolidations. Options granted may be ISOs to employees, NQOs to employees or non-employee Directors, consultants, or a combination thereof.

6.2 Option Agreement. Each Option shall be evidenced by a written option agreement (an "Option Agreement") that shall specify the Option Price, the expiration date of the Option, the number of shares to which the Option pertains, any conditions to exercise of the Option, and such other terms and conditions as the Committee, in its discretion, shall determine. The Option Agreement also shall specify whether the Option is intended to be an ISO or an NQO.

6.3 Option Price. The price for each Common Share deliverable upon the exercise of an Option (the "Option Price") shall be determined at the discretion of the Committee; provided, however, that with respect to ISOs, the Option Price shall not be less than the Fair Market Value at the date of grant. If at the time that an ISO is granted, the Participant owns shares possessing more than 10% of the total combined voting power of all classes of CNB's or any of its Subsidiaries' capital shares, the Option Price of an ISO shall not be less than one hundred and ten percent (110%) of the Fair Market Value of a share on the date that the ISO is granted and any ISO so granted must be exercised not later than five (5) years from the date it is granted.

6.4 Exercise of Options. Options granted under the Plan shall be exercisable at such times, and subject to such restrictions and conditions, as the Committee shall determine in its sole discretion, except that any outstanding Options at the time of a Change in Control, or a Participant's death, or Disability will be immediately exercisable without regard to any vesting restrictions attached to such Options. A Participant electing to exercise an Option shall give written notice of such election to CNB in such form as the Committee may require.

6.5 Expiration of Options. Each Option belonging to a Participant shall terminate upon the first to occur of the events listed in this section.

(a) For Employees

- (i) The date for termination of such Option set forth in the Option Agreement applicable to such Option.
- (ii) The expiration of ten (10) years from the date such Option was granted, except as outlined in 6.3.
- (iii) The expiration of one year from the date of the Participant's termination of employment for reason other than Retirement or termination for Cause, it being understood that the exercise of an Incentive Stock Option at any time after ninety (90) days from the date of termination of employment for reasons other than death or Disability shall convert the Option to a Nonqualified Stock Option.
- (iv) The expiration of one year from the later of the Participant's Retirement or termination of service as a Director for a reason other than for Cause.
- (v) Termination of employment for Cause.

(b) For Non-employee Directors

- (i) The date for termination of such Option set forth in the Option Agreement applicable to such Option.
- (ii) The expiration of ten (10) years from the date such Option was granted.
- (iii) The expiration of one year following the non-employee Director's termination of service as a Director for a reason other than for Cause.
- (iv) Termination of a non-employee Director's service as a Director for Cause.
- (v) One year following a Change in Control.

6.6 Payment. The Option Price upon exercise of any Option shall be payable to CNB in full in cash. The Committee also may, in its sole discretion, permit exercise (a) by tendering previously acquired Common Shares having an aggregate Fair Market Value at the time of exercise equal to the total Option Price (provided that the Common Shares which are tendered must have been held by the Participant or his or her Permissible Transferees (as defined in 6.7) for at least six (6) months prior to their tender to satisfy the Option Price), or (b) by any other means which the Committee determines, in its sole discretion, to both provide legal consideration equal to the total Option Price for the Common Shares acquired through exercise of the Option and to be consistent with the purposes of the Plan.

As soon as practicable after receipt of a written notification of exercise and full payment for the Common Shares purchased, CNB shall deliver to the Participant, or his or her Permissible Transferee, the certificates (in the Participant's or such Permissible Transferee's name) representing such Common Shares.

6.7 Nontransferability of Options. No Option granted under the Plan shall be assignable or transferable by the Participant other than by will or the laws of descent and distribution. During the lifetime of a Participant, the Option shall be exercisable only by such Participant, except: (a) in the event of the Disability of the Participant resulting in the appointment, by a court of competent jurisdiction, of a legal guardian or personal representative with appropriate authority, then by such person in the name of Participant; or (b) in the name of the Participant pursuant to a power of attorney, acceptable in form and substance to CNB.

Notwithstanding the above, a Participant may, with respect to any Nonqualified Stock Option: (a) designate in writing a beneficiary to exercise his or her Option after the Participant's death; (b) transfer an Option to a revocable inter vivos trust as to which the Optionee is the settlor; and (c) transfer an Option for no consideration to any of the following permissible transferees (each a "Permissible Transferee"):

- (i) any member of the Immediate Family of the Participant to whom such Option was granted, (ii) any trust solely for the benefit of members of the Participant's Immediate Family, or (iii) any partnership whose only partners are members of the Participant's Immediate Family; and further provided that: (1) the transferee shall remain subject to all of the terms and conditions applicable to such Options prior to and after such transfer; and (2) any such transfer shall be subject to and in accordance with the rules and regulations prescribed by the Committee. Any such transfer to a Permissible Transferee shall consist of one or more options covering a minimum of one hundred (100) Common Shares. An Option may not be retransferred by a Permissible Transferee except by will or the laws of descent and distribution and then only to another Permissible Transferee. In the case of (b) and (c) set forth in the immediately preceding sentence, the Option shall only be exercisable by the trustee or Permissible Transferee, as applicable. For the purposes hereof, "Immediate Family" means, with respect to a particular Participant, such Participant's child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, and shall include adoptive relationships.

6.8 Certain Additional Provisions for Incentive Stock Options.

- (a) The aggregate Fair Market Value (determined at the time the Option is granted) of the Common Shares with respect to which ISOs are exercisable for the first time by any Participant during any calendar year shall not exceed \$100,000.
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- (b) ISOs may be granted only to persons who are employees of CNB or a Subsidiary at the time of grant.
- (c) No ISO may be exercised after the expiration of ten years from the date such ISO was granted; provided, however, that if the ISO is granted to a Participant who, together with Persons whose Common Share ownership is attributed to the Participant pursuant to Section 424(d) of the Code, owns shares possessing more than 10% of the total combined voting power of all classes of CNB's or any of its Subsidiaries' capital shares, the ISO may not be exercised after the expiration of five years from the date that it was granted.

Section VII Restricted Stock Award

7.1 Award of Restricted Stock. Restricted Stock may be granted to Participants, subject to the provisions of the Plan, at any time and from time to time, as determined in the sole discretion of the Committee. The Committee shall in its sole discretion, determine the number of shares of Restricted Stock granted to each Participant and the terms and conditions of such grant.

Each Restricted Stock Award under the Plan shall be evidenced by a stock certificate of CNB, registered in the name of the Participant, accompanied by an agreement in such form as the Committee shall prescribe from time to time. The Restricted Stock Awards shall comply with such other terms and conditions not inconsistent with the terms of this Plan as the Committee, in its discretion, shall establish.

7.2 Stock Legends; Prohibition on Disposition. Certificates for shares of Restricted Stock shall bear an appropriate legend referring to the restrictions to which they are subject, and any attempt to dispose of any such shares of stock in contravention of such restrictions shall be null and void and without effect. The certificates representing shares of Restricted Stock shall be held by CNB until the restrictions are satisfied.

7.3 Termination of Service. The Committee shall determine the extent to which the restrictions on any Restricted Stock Award shall lapse upon the termination of the Participant's service to CNB and its Subsidiaries, due to death, Disability, or for any other reason. If the restrictions on all or any portion of a Restricted Stock Award shall not lapse, the Participant, or in the event of his or her death, his or her personal representative, shall deliver to the Secretary of CNB such instruments of transfer, if any, as may reasonably be required to transfer the shares back to CNB.

7.4 Change in Control. Upon the occurrence of a Change in Control of the Company, as determined in Section 2.6 of this Plan, all restrictions then outstanding with respect to shares of Restricted Stock shall automatically expire and be of no further force and effect and all certificates representing such shares of Restricted Stock shall be delivered to the Participant.

7.5 Effect of Attempted Transfer. No benefit payable or interest in any Restricted Stock Award shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge and any such attempted action shall be void and no such interest in any Restricted Stock Award shall be in any manner liable for or subject to debts, contracts, liabilities, engagements or torts of any Participant or his or her beneficiary.

7.6 Dividends. Dividends paid on Restricted Stock shall be paid either at the dividend payment date in cash or in shares of unrestricted stock having a Fair Market Value equal to the amount of such dividends, or the payment of such dividends shall be deferred and/or the amount or value thereof automatically reinvested in additional Restricted Stock or other investment vehicles, as the Committee shall determine or permit the Participant to elect. Stock distributed in connection with a stock split or stock dividend, and other property distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock with respect to which such stock or other property has been distributed, unless otherwise determined by the Committee.

7.7 Rights as a Stockholder. A Participant shall have the right to receive dividends, as described in Section 7.6, on Common Shares subject to the Restricted Stock Award during the applicable restricted period, to vote the Common Shares subject to the Award, except that the Participant shall not be entitled to enjoy any other stockholder rights and shall not be entitled to delivery of the stock certificate until the applicable restricted period shall have lapsed (if at all).

Section VIII Stock Awards

8.1 Stock Awards. The Committee may, at any time and from time to time, designate an Award of Common Shares to any Participant, which is subject to one or more conditions established by the Committee, in its sole discretion. If the Award is subject to the achievement of certain performance objectives (as that term is used for purposes of Code Section 162(m)), then the performance objectives shall be determined by the Committee at their full discretion.

8.2 Effect of Change in Control. The effect of a Change in Control upon an Award of Common Shares subject to this Section VIII shall be determined by the Committee at such time as the Committee establishes the terms and conditions that will apply to an Award of Common Shares.

Section IX Payment of Stock or Stock Options in Lieu of Cash Compensation

The Committee may, at any time and from time to time, at the request of a participant, designate that a portion of a Participant's compensation otherwise payable in cash be payable in Common Shares or as Stock Options; provided that a Participant shall under no circumstance be permitted to defer compensation that has already been earned through the performance of services. The Committee shall have the sole discretion to determine the terms and conditions under which such Common Shares or Stock Options shall be issued to Participants.

Section X
No Right to Continued Employment

Participation in the Plan shall confer no rights to continued employment with CNB or any Subsidiary, nor shall it restrict the rights of CNB or any Subsidiary to terminate a Participant's employment relationship at any time for Cause or without Cause.

Section XI
Withholding Taxes

As a condition of delivery of cash or Common Shares upon exercise of an Option, or the issuance of Common Shares, CNB shall be entitled to require that the Participant and/or his or her transferees (without regard to whether the Participant has transferred the Award in accordance with the Plan) satisfy federal, state and local tax withholding requirements as follows:

- (a) **Cash Remittance.** Whenever Common Shares are to be issued upon the exercise of an Option or payment of Award, the Company shall have the right to require the Participant and/or his or her transferees to remit to the Company in cash an amount sufficient to satisfy federal, state and local withholding tax requirements, if any, attributable to such exercise or payment, prior to the delivery of any certificate or certificates for such shares. In addition, CNB shall have the right to withhold from any cash payment required to be made pursuant thereto an amount sufficient to satisfy the federal, state and local withholding tax requirements.
- (b) **Share Withholding or Remittance.** In lieu of the remittance required by Section X(a) hereof, a Participant who is granted an Award may, to the extent approved by the Committee, irrevocably elect by written notice to CNB at the office of CNB designated for that purpose, to (i) have CNB withhold Common Shares from any Award hereunder, or (ii) deliver other previously owned Common Shares, the Fair Market Value of which as of the date on which any such tax is determined shall be equal to the amount of the required tax withholding amount, if any, rounded down to the nearest whole share attributable to such exercise, occurrence or grant; provided, however, that no election to have Common Shares withheld from any Award shall be in excess of the minimum statutory withholding tax or shall be effective with respect to an Award which was transferred by such Participant to a Permitted Transferee or otherwise.

Section XII
Amendment or Termination of the Plan

12.1 **Amendment.** The Board or Committee may alter, amend or suspend the Plan at any time or alter and amend Awards granted hereunder; provided, however, that no such amendment or alteration may, without the consent of any Participant to whom an Option shall theretofore have been granted or to whom a Stock Award or Restricted Stock Award shall theretofore have been issued, adversely affect the right of such Participant under such Award.

12.2 Termination. The Plan shall terminate on December 31, 2011; provided, however, that the Plan shall be subject to termination prior to such date on the date set forth in a resolution of the Board terminating the Plan. No termination of the Plan shall materially alter or impair the right of any Participant with respect to Awards previously granted hereunder without such Participant's consent. In the event of a termination of the Plan, all Awards granted hereunder shall continue to be valid and binding obligations of CNB going forward on the same terms and conditions as set forth herein and in the applicable Award agreements.

12.3 Change in Control. In the event of any merger, consolidation or other reorganization in which CNB is not the surviving or continuing corporation or in which a Change in Control is to occur, all of CNB's obligations regarding Awards, if applicable, that were granted hereunder and that are outstanding on the date of such event shall, on such terms as may be approved by the Board or the Committee prior to such event, be assumed by the surviving or continuing corporation or canceled in exchange for property (including cash) in amounts determined by the Board or the Committee in a manner that is equitable to Participants.

Amendment dated January 28, 2002 to Death Benefits Agreement between NBT Bancorp Inc., NBT Bank, National Association and Daryl R. Forsythe made August 22, 1995.

AMENDMENT TO DEATH BENEFITS AGREEMENT

THIS AGREEMENT (this "Agreement") is made and entered into effective as of the 28 day of January, 2002, 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 (hereinafter referred to collectively as the "Bank"), Daryl R. Forsythe (the "Employee").

WHEREAS, the Bank and the Employee have entered to that certain Death Benefits Agreement dated as of August 22, 1995 (the "1995 Agreement");

WHEREAS, the 1995 Agreement may be amended by a written instrument signed by the Bank and the Employee; and

WHEREAS, the Bank and the Employee desire to amend the 1995 Agreement as set out in this Agreement.

NOW, THEREFORE, the parties agree as follows:

1. Section 1 of Article IX of the 1995 Agreement is amended to read in its entirety as follows:

THIS AGREEMENT MAY BE TERMINATED AT ANY TIME WHILE THE EMPLOYEE IS LIVING BY A WRITTEN INSTRUMENT SIGNED BY THE BANK AND THE EMPLOYEE, PROVIDED, THAT THE BANK MAY TERMINATE THIS AGREEMENT BY WRITTEN NOTICE TO THE EMPLOYEE AT ANY TIME AFTER THE EMPLOYEE HAS CEASED TO BE THE CHAIRMAN OF THE BANK OTHER THAN BECAUSE OF HIS DEATH; AND, IN ANY EVENT, THIS AGREEMENT WILL TERMINATE UPON TERMINATION OF THE EMPLOYEE'S EMPLOYMENT WITH THE BANK FOR ANY REASON OTHER THAN HIS DEATH.

2. The following new sentence is added to the end of Article X of the 1995 Agreement:

WITHOUT LIMITING THE FOREGOING, FOLLOWING TERMINATION OF THIS AGREEMENT, TO THE EXTENT PERMITTED BY THE POLICY, THE BANK MAY DESIGNATE ANY OFFICER OR OTHER EMPLOYEE OF THE BANK AS THE INSURED UNDER THE POLICY AND MAY CONTINUE THIS AGREEMENT WITH SUCH OFFICER OR EMPLOYEE.

3. The foregoing amendments shall be effective upon the date of this Agreement.
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4. In other respects, the 1995 Agreement shall continue in full force and effect. The parties hereby execute this Agreement as follows:

NBT BANCORP INC.

By: /s/ Andrew Kowalczyk Jr.

Date: 1/28/02

Its: Chairman Compensation Committee

NBT BANK, NATIONAL ASSOCIATION

By: /s/ Michael J. Chewens

Date: 1/28/02

Its: Secretary

Date: 1/28/02

/s/ Daryl R. Forsythe

DARYL R. FORSYTHE

July 23, 2001

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

Dear Mr. Dietrich:

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, we entered an agreement, approved by the Board, dated February 21, 1995, and revised by Board action most recently on July 23, 2001, providing for severance compensation that the Board agreed would be provided to you in the event your employment with the Company terminated subsequent to a change in control of the Company ("Agreement"). We have agreed upon various changes to the Agreement, agreed to by the Board, and have agreed to amend and restate the Agreement in its entirety as follows:

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.

(b) Termination Subsequent to Certain Offers. In the event a tender offer or exchange offer is made by a "person" (as defined in section 6) for more than 30 percent of the combined voting power of the Company's outstanding securities ordinarily having the right to vote at elections of directors ("Voting Securities"), including shares of common stock, no par value, of the Company (the "Company Shares"), you agree that you will not leave the employ of the Company (other than as a result of Disability as such term is defined in section 6) and will render services to the Company in the capacity in which you then serve until such tender offer or exchange offer has been abandoned or terminated or a change in control of the Company has occurred as a result of such tender offer or exchange offer. If, during the period you are obligated to continue in the employ of the Company pursuant to this section 1(b), the Company reduces your compensation, terminates your employment without Cause, or you provide written notice of your decision to terminate your employment for Good Reason, your obligations under this section 1(b) shall thereupon terminate and you will be entitled to payments provided under Section 3(b).

2. Term of Agreement. This Agreement shall commence on the date hereof and shall continue in effect until December 31, 2003; provided, however, that commencing December 31, 2001 and each December 31 thereafter, the remaining term of this Agreement shall automatically be extended for one additional year (to a total of three years) unless at least 90 days prior to such anniversary, the Company or you shall have given notice that this Agreement shall not be extended; and provided, however, that if a change in control of the Company shall occur while this Agreement is in effect, this Agreement shall automatically be extended for 24 months from the date the change in control of the Company occurs. This Agreement shall terminate if you or the Company terminates your employment prior to a change in control of the Company but without prejudice to any remedy the Company may have for breach of your obligations, if any, under section 1(b).

3. Severance Payment and Benefits If Termination Occurs Following Change in Control for Disability, Without Cause, With Good Reason or Without Good Reason within 12 Months of the Change. If, (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 or Within 12 Months of Change in Control. If your employment with the Company is terminated without Cause by the Company or with Good Reason by you, or by you within 12 months of a change in control of the Company without Good Reason, then the Company shall pay to you, upon demand, the following amounts (net of applicable payroll taxes):

(i) Your full base salary through the Date of Termination at the rate in effect on the date the change in control of the Company occurs plus year-to-date accrued vacation.

(ii) As severance pay, an amount equal to the product of 2.99 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 target bonus that could have been paid to you for such year if all applicable targets and objectives had been achieved, or if no formal bonus program is in effect, the largest bonus amount paid to you during any one of the three preceding calendar years, your income from the exercise of nonqualified options during such year, your compensation income from any disqualifying disposition during such year of stock acquired pursuant to the exercise of incentive stock options and other annualized amounts that constitute taxable income to you from the Company for such year, without reduction for salary reduction amounts excludible from income under Section 402(e)(3) or 125 of the Internal Revenue Code of 1986, as amended (the "Code"), or (B) your average "Compensation" (as defined below) for the three calendar years preceding the calendar year in which the change in control of the Company occurs. As used in this subsection 3(b)(ii) your "Compensation" shall mean your base salary, bonus, income from the exercise of nonqualified options, compensation income from any disqualifying disposition of stock acquired pursuant to the exercise of incentive stock options and any other amounts that constitute taxable income to you from the Company, without reduction for salary reduction amounts excludible from income under Section 402(e)(3) or 125 of the Code.

(c) Related Benefits. Unless you die or your employment is terminated by the Company for Cause or Disability, or by you other than for Good Reason and not within 12 months after a change in control of the Company, (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, stock option plans, life insurance and health and accident plans and arrangements, medical insurance plans, disability plans, and vacation plans) in which you were entitled to participate immediately prior to the Date of Termination, as in effect at the Date of Termination, or, if more favorable to you and, if applicable, your spouse and family, as in effect generally at any time thereafter with respect to executive employees of the Company or any successor; provided that your continued participation is possible after Termination under the general terms and provisions of such plans, programs, and arrangements; provided, however, that if you become eligible to participate in a benefit plan, program, or arrangement of another employer which confers substantially similar benefits upon you, you shall cease to receive benefits under this subsection in respect of such plan, program, or arrangement, and (ii) your benefit under any supplemental retirement agreement or supplemental retirement plan 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, 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) Automatic Extension. Notwithstanding the prior provisions of this Section, if an individual is elected to the Board of Directors who has not been nominated by the Board of Directors as constituted prior to his election, then the term of this Agreement will automatically be extended until two years from the date on which such individual was elected if such extended termination date is later than the normal termination date of this Agreement, otherwise, the termination date of this Agreement will be as provided above. This extension will take effect only upon the first instance of an individual being elected to the Board of Directors without having been nominated by the original Board.

(f) Alternative to Lump Sum Payout. The amount described in this subsection will be paid to you in a single lump-sum unless, at least 30 days before the conclusion of a change in control of the Company, you elect in writing to receive the severance pay in 3 equal annual payments with the first payment to be made within 30 days of demand and the subsequent payments to be made by January 31st of each year subsequent to the year in which the first payment is made, provided that under no circumstances will two payments be made during a single tax year of the recipient.

4. Payment If Termination Occurs Following Change in Control, Because of Death, For Cause, or Without Good Reason and not within 12 Months of the Change in Control. If your employment shall be terminated following any event constituting a change in control of the Company because of your death, or by the Company for Cause, or by you other than for Good Reason and not within 12 months after a change in control of the Company, the Company shall pay you your full base salary through the Date of Termination at the rate in effect on the date the change in control of the Company occurs plus year-to-date accrued vacation. The Company shall have no further obligations to you under this Agreement.

5. No Mitigation. You shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor, except as expressly set forth herein, shall the amount of any payment provided for in this Agreement be reduced by any compensation earned by you as the result of employment by another employer after the Date of Termination, or otherwise.

6. Definitions of Certain Terms. For the purpose of this Agreement, the terms defined in this section 6 shall have the meanings assigned to them herein.

(a) Cause. Termination of your employment by the Company for "Cause" shall mean termination because, and only because, you committed an act of fraud, embezzlement, or theft constituting a felony or an act intentionally against the interests of the Company which causes the Company material injury. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for the purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct constituting Cause as defined above and specifying the particulars thereof in detail.

(b) Change in Control of the Company. A "change in control of the Company" shall mean:

(i) A change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A as in effect on the date hereof pursuant to the Securities Exchange Act of 1934 (the "Exchange Act"); provided that, without limitation, such a change in control shall be deemed to have occurred at such time as any Person hereafter becomes the "Beneficial Owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 30 percent or more of the combined voting power of the Company's Voting Securities; or

(ii) During any period of two consecutive years, individuals who at the beginning of such period constitute the Board cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election by the Company's shareholders, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period; or

(iii) There shall be consummated (x) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which Voting Securities would be converted into cash, securities, or other property, other than a merger of the Company in which the holders of Voting Securities immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, or (y) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all, or substantially all of the assets of the Company, provided that any such consolidation, merger, sale, lease, exchange or other transfer consummated at the insistence of an appropriate banking regulatory agency shall not constitute a change in control of the Company; or

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

(c) Date of Termination. "Date of Termination" shall mean (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 absence from your duties with the Company on a full-time basis for 180 consecutive days as a result of your incapacity due to physical or mental illness and your failure to return to the performance of your duties on a full-time basis during the 30-day period after Notice of Termination is given.

(e) Good Reason. Termination by you of your employment for "Good Reason" shall mean termination based on any of the following:

(i) A change in your status or position(s) with the Company, which in your reasonable judgment, does not represent a promotion from your status or 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 the 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 section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), 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. 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 section 280G(b)(2) of the Code 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 sections 280G(d)(3) and (4) of the Code. 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. Miscellaneous. No provision of this Agreement may be modified, waived, or discharged unless such modification, waiver, or discharge is agreed to in a writing signed by you and the Chief Executive Officer or President of the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or of compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same, or at any prior or subsequent, time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction, and performance of this Agreement shall be governed by laws of the State of New York without giving effect to the principles of conflict of laws thereof.

11. Legal Fees and Expenses. The Company shall pay or reimburse any reasonable legal fees and expenses you may incur in connection with any legal action to enforce your rights under, or to defend the validity of, this Agreement. The Company will pay or reimburse such legal fees and expenses on a regular, periodic basis upon presentation by you of a statement or statements prepared by your counsel in accordance with its usual practices.

12. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

13. Payments During Controversy. Notwithstanding the pendency of any dispute or controversy, the Company will continue to pay you your full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, base salary and installments of incentive compensation) and continue you as a participant in all compensation, benefit, and insurance plans in which you were participating when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with section 7(c). Amounts paid under this section are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement. You shall be entitled to seek specific performance of your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

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

If this letter correctly sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter, which will then constitute our agreement on this subject.

Very truly yours,

NBT BANCORP INC.

By: /s/ Daryl Forsythe

AGREED TO:

/s/ Martin A. Dietrich

Martin A. Dietrich

NBT BANCORP INC.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

(Effective as of July 23, 2001)

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SUPPLEMENTAL RETIREMENT AGREEMENT
EFFECTIVE JULY 23, 2001

The attached document (**NBT Bancorp Inc. Supplemental Executive Retirement Plan**, effective as of July 23, 2001) sets forth the terms of an agreement for the payment of supplemental retirement income made as of July 23, 2001 between **NBT Bancorp Inc.**, a Delaware corporation and a registered financial holding company headquartered at 52 S. Broad Street, Norwich, New York 13815, and **Michael J. Chewens**, an individual residing at 2613 Pine Bluff Drive, Vestal, New York 13815. The parties hereby execute this agreement as follows:

NBT BANCORP INC.

By: /s/ Daryl R. Forsythe
Daryl R. Forsythe
Chairman, President and
Chief Executive Officer

Date: July 23, 2001

/s/ Micheal J. Chewens
Michael J. Chewens

Date: July 23, 2001

PREAMBLE

This NBT Bancorp Inc. Supplemental Executive Retirement Plan (the “Plan”) is effective as of July 23, 2001. 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 7.5(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 “Deferral Credit Account” means the bookkeeping account maintained in the name of the Employer, on behalf of each Participant, pursuant to Article 5.
- 1.18 “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.
- 1.19 “Effective Date” means July 23, 2001.
- 1.20 “Employee” means a person who is an employee of the Employer.
- 1.21 “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.
- 1.22 “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.
- 1.23 “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.
- 1.24 “Full-Time Employee” shall mean an Employee who works not less than 1,000 hours in a calendar year.
- 1.25 “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 1.25(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.

- 1.26 "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.
- 1.27 "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.
- 1.28 "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.
- 1.29 "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.
- 1.30 "Present Value" means the present value of a benefit determined on the basis of the actuarial assumptions specified in Section 1.1

- 1.31 “Social Security Benefit” means the Participant’s actual social security benefit at his or her Social Security Retirement Age.
- 1.32 “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.
- 1.33 “Retirement Income Benefit” means the deferred compensation retirement income benefit determined pursuant to Article 4.
- 1.34 “Supplemental Retirement Benefit” means the deferred compensation retirement benefit determined pursuant to Article 6.
- 1.35 “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.
- 1.36 “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, 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, 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) 50 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) 50 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 60th 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 62nd 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 7.4(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 62nd 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 60th birthday but before his or her 61st birthday, the Company shall pay such Participant 60% 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 61st birthday but before his or her 62nd birthday, the Company shall pay such Participant 70% of the Supplemental Retirement Benefit so calculated.

ARTICLE 7

MODES OF BENEFIT PAYMENT AND VESTING OF BENEFITS

7.1 Except as otherwise provided in the following paragraph, any Retirement Income Benefit and 401(k)/ESOP Benefit payable under the Plan to a Participant, beneficiary, joint or contingent annuitant or eligible child, shall be payable in the modes provided by, and subject to the provisions of, the Basic Retirement Plan and Basic 401(k)/ESOP, respectively, as the case may be. 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.

The Committee, in its sole discretion and consistent with the best interests of the Employer may distribute any Retirement Income Benefit and 401(k)/ESOP Benefit payable under the Plan to a Participant, beneficiary, joint or contingent annuitant, or eligible child, as a single lump sum benefit, using, in the case of a Retirement Income Benefit, the actuarial equivalent factors set forth in the Basic Retirement Plan for lump-sum cashouts. In exercising its discretion hereunder, the Committee shall not be bound by any request by a Participant, beneficiary, joint or contingent annuitant, or eligible child, to receive any Retirement Income Benefit and 401(k)/ESOP Benefit payable under the Plan as a single lump-sum benefit.

- 7.2 Except with respect to receipt of a lump sum benefit under Section 7.1, any elections for an optional mode of benefit payment made by a Participant under the Basic Retirement Plan and the Basic 401(k)/ESOP, shall also be effective with respect to any Retirement Income Benefit and 401(k)/ESOP Benefit, as the case may be, payable under the Plan to a Participant, beneficiary, joint or contingent annuitant, or eligible child.
- 7.3 Except with respect to receipt of a lump sum benefit under Section 7.1, payment of any Retirement Income Benefit and 401(k)/ESOP Benefit under the Plan shall commence on the same date as payment of a Basic Retirement Plan and 401(k)/ESOP Plan distribution payable to a Participant or beneficiary, and shall terminate on the date of last payment of Basic Retirement Plan and 401(k)/ESOP Plan distribution, as the case may be.
- 7.4 The Supplemental Retirement Benefit shall be paid:
- (a) except as provided in Section 7.4(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 62; or
 - (b) commencing on the first day of the month following the Participant's Determination Date in connection with early retirement after reaching age 60 and prior to the date of his or her 62nd birthday.
- 7.5 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 7.5(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 7.5(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 7.5(a). If the Supplemental Retirement Benefit is payable pursuant to this Section 7.5(a), 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.
- (c) Notwithstanding the foregoing provisions of this Section 7.5, the Company, in its sole discretion, may accelerate the payment of all or any portion of the Supplemental Retirement Benefit or the reduced early Supplemental Retirement Benefit at any time. Any payment accelerated in accordance with this Section 7.5(c) shall be the Actuarial Equivalent of the payment being accelerated.

7.6 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, subject to the right of the Company to accelerate payment at any time in accordance with Section 7.5(c). 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 7.5.

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 separates 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 alter 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.

July 23, 2001

Mr. Michael J. Chewens
2613 Pinebluff Drive
Vestal, NY 13850

Dear Mr. Chewens:

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, we entered an agreement, approved by the Board, dated January 1, 1998, and revised by Board action most recently on July 23, 2001, providing for severance compensation that the Board agreed would be provided to you in the event your employment with the Company terminated subsequent to a change in control of the Company ("Agreement"). We have agreed upon various changes to the Agreement, agreed to by the Board, and have agreed to amend and restate the Agreement in its entirety as follows:

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.

(b) Termination Subsequent to Certain Offers. In the event a tender offer or exchange offer is made by a "person" (as defined in section 6) for more than 30 percent of the combined voting power of the Company's outstanding securities ordinarily having the right to vote at elections of directors ("Voting Securities"), including shares of common stock, no par value, of the Company (the "Company Shares"), you agree that you will not leave the employ of the Company (other than as a result of Disability as such term is defined in section 6) and will render services to the Company in the capacity in which you then serve until such tender offer or exchange offer has been abandoned or terminated or a change in control of the Company has occurred as a result of such tender offer or exchange offer. If, during the period you are obligated to continue in the employ of the Company pursuant to this section 1(b), the Company reduces your compensation, terminates your employment without Cause, or you provide written notice of your decision to terminate your employment for Good Reason, your obligations under this section 1(b) shall thereupon terminate and you will be entitled to payments provided under Section 3(b).

2. Term of Agreement. This Agreement shall commence on the date hereof and shall continue in effect until December 31, 2003; provided, however, that commencing December 31, 2001 and each December 31 thereafter, the remaining term of this Agreement shall automatically be extended for one additional year (to a total of three years) unless at least 90 days prior to such anniversary, the Company or you shall have given notice that this Agreement shall not be extended; and provided, however, that if a change in control of the Company shall occur while this Agreement is in effect, this Agreement shall automatically be extended for 24 months from the date the change in control of the Company occurs. This Agreement shall terminate if you or the Company terminates your employment prior to a change in control of the Company but without prejudice to any remedy the Company may have for breach of your obligations, if any, under section 1(b).

3. Severance Payment and Benefits If Termination Occurs Following Change in Control for Disability, Without Cause, With Good Reason or Without Good Reason within 12 Months of the Change. If, (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:

July 23, 2001

(a) Disability. If your employment with the Company is terminated for Disability, your benefits shall thereafter be determined in accordance with the Company's long-term disability income insurance plan. If the Company's long-term disability income insurance plan is modified or terminated following a change in control, the Company shall substitute such a plan with benefits applicable to you substantially similar to those provided by such plan prior to its modification or termination. During any period that you fail to perform your duties hereunder as a result of incapacity due to physical or mental illness, you shall continue to receive your full base salary at the rate then in effect until your employment is terminated by the Company for Disability.

(b) Termination Without Cause or With Good Reason or Within 12 Months of Change in Control. If your employment with the Company is terminated without Cause by the Company or with Good Reason by you, or by you within 12 months of a change in control of the Company without Good Reason, then the Company shall pay to you, upon demand, the following amounts (net of applicable payroll taxes):

(i) Your full base salary through the Date of Termination at the rate in effect on the date the change in control of the Company occurs plus year-to-date accrued vacation.

(ii) As severance pay, an amount equal to the product of 2.99 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 target bonus that could have been paid to you for such year if all applicable targets and objectives had been achieved, or if no formal bonus program is in effect, the largest bonus amount paid to you during any one of the three preceding calendar years, your income from the exercise of nonqualified options during such year, your compensation income from any disqualifying disposition during such year of stock acquired pursuant to the exercise of incentive stock options and other annualized amounts that constitute taxable income to you from the Company for such year, without reduction for salary reduction amounts excludible from income under Section 402(e)(3) or 125 of the Internal Revenue Code of 1986, as amended (the "Code"), or (B) your average "Compensation" (as defined below) for the three calendar years preceding the calendar year in which the change in control of the Company occurs. As used in this subsection 3(b)(ii) your "Compensation" shall mean your base salary, bonus, income from the exercise of nonqualified options, compensation income from any disqualifying disposition of stock acquired pursuant to the exercise of incentive stock options and any other amounts that constitute taxable income to you from the Company, without reduction for salary reduction amounts excludible from income under Section 402(e)(3) or 125 of the Code.

(c) Related Benefits. Unless you die or your employment is terminated by the Company for Cause or Disability, or by you other than for Good Reason and not within 12 months after a change in control of the Company, (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, stock option plans, life insurance and health and accident plans and arrangements, medical insurance plans, disability plans, and vacation plans) in which you were entitled to participate immediately prior to the Date of Termination, as in effect at the Date of Termination, or, if more favorable to you and, if applicable, your spouse and family, as in effect generally at any time thereafter with respect to executive employees of the Company or any successor; provided that your continued participation is possible after Termination under the general terms and provisions of such plans, programs, and arrangements; provided, however, that if you become eligible to participate in a benefit plan, program, or arrangement of another employer which confers substantially similar benefits upon you, you shall cease to receive benefits under this subsection in respect of such plan, program, or arrangement, and (ii) your benefit under any supplemental retirement agreement or supplemental retirement plan 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, 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.

July 23, 2001

(e) Automatic Extension. Notwithstanding the prior provisions of this Section, if an individual is elected to the Board of Directors who has not been nominated by the Board of Directors as constituted prior to his election, then the term of this Agreement will automatically be extended until two years from the date on which such individual was elected if such extended termination date is later than the normal termination date of this Agreement, otherwise, the termination date of this Agreement will be as provided above. This extension will take effect only upon the first instance of an individual being elected to the Board of Directors without having been nominated by the original Board.

(f) Alternative to Lump Sum Payout. The amount described in this subsection will be paid to you in a single lump-sum unless, at least 30 days before the conclusion of a change in control of the Company, you elect in writing to receive the severance pay in 3 equal annual payments with the first payment to be made within 30 days of demand and the subsequent payments to be made by January 31st of each year subsequent to the year in which the first payment is made, provided that under no circumstances will two payments be made during a single tax year of the recipient.

4. Payment If Termination Occurs Following Change in Control, Because of Death, For Cause, or Without Good Reason and not within 12 Months of the Change in Control. If your employment shall be terminated following any event constituting a change in control of the Company because of your death, or by the Company for Cause, or by you other than for Good Reason and not within 12 months after a change in control of the Company, the Company shall pay you your full base salary through the Date of Termination at the rate in effect on the date the change in control of the Company occurs plus year-to-date accrued vacation. The Company shall have no further obligations to you under this Agreement.

5. No Mitigation. You shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor, except as expressly set forth herein, shall the amount of any payment provided for in this Agreement be reduced by any compensation earned by you as the result of employment by another employer after the Date of Termination, or otherwise.

6. Definitions of Certain Terms. For the purpose of this Agreement, the terms defined in this section 6 shall have the meanings assigned to them herein.

July 23, 2001

(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 absence from your duties with the Company on a full-time basis for 180 consecutive days as a result of your incapacity due to physical or mental illness and your failure to return to the performance of your duties on a full-time basis during the 30-day period after Notice of Termination is given.

(e) Good Reason. Termination by you of your employment for "Good Reason" shall mean termination based on any of the following:

(i) A change in your status or position(s) with the Company, which in your reasonable judgment, does not represent a promotion from your status or 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.

July 23, 2001

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 the 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 section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), 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. 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 section 280G(b)(2) of the Code 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 sections 280G(d)(3) and (4) of the Code. 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. Miscellaneous. No provision of this Agreement may be modified, waived, or discharged unless such modification, waiver, or discharge is agreed to in a writing signed by you and the Chief Executive Officer or President of the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or of compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same, or at any prior or subsequent, time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction, and performance of this Agreement shall be governed by laws of the State of New York without giving effect to the principles of conflict of laws thereof.

11. Legal Fees and Expenses. The Company shall pay or reimburse any reasonable legal fees and expenses you may incur in connection with any legal action to enforce your rights under, or to defend the validity of, this Agreement. The Company will pay or reimburse such legal fees and expenses on a regular, periodic basis upon presentation by you of a statement or statements prepared by your counsel in accordance with its usual practices.

12. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

July 23, 2001

13. Payments During Controversy. Notwithstanding the pendency of any dispute or controversy, the Company will continue to pay you your full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, base salary and installments of incentive compensation) and continue you as a participant in all compensation, benefit, and insurance plans in which you were participating when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with section 7(c). Amounts paid under this section are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement. You shall be entitled to seek specific performance of your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

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

If this letter correctly sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter, which will then constitute our agreement on this subject.

Very truly yours,

NBT BANCORP INC.

By: /s/ Daryl Forsythe

AGREED TO:

/s/ Michael J. Chewens

Michael J. Chewens

July 23, 2001

July 23, 2001

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

Dear Mr. Raven:

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, we entered an agreement, approved by the Board, dated January 1, 1998 and revised by Board action on July 23, 2001, providing for severance compensation that the Board agreed would be provided to you in the event your employment with the Company terminated subsequent to a change in control of the Company ("Agreement"). We have agreed upon various changes to the Agreement, agreed to by the Board, and have agreed to amend and restate the Agreement in its entirety as follows:

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.

(b) Termination Subsequent to Certain Offers. In the event a tender offer or exchange offer is made by a "person" (as defined in section 6) for more than 30 percent of the combined voting power of the Company's outstanding securities ordinarily having the right to vote at elections of directors ("Voting Securities"), including shares of common stock, no par value, of the Company (the "Company Shares"), you agree that you will not leave the employ of the Company (other than as a result of Disability as such term is defined in section 6) and will render services to the Company in the capacity in which you then serve until such tender offer or exchange offer has been abandoned or terminated or a change in control of the Company has occurred as a result of such tender offer or exchange offer. If, during the period you are obligated to continue in the employ of the Company pursuant to this section 1(b), the Company reduces your compensation, terminates your employment without Cause, or you provide written notice of your decision to terminate your employment for Good Reason, your obligations under this section 1(b) shall thereupon terminate and you will be entitled to payments provided under Section 3(b).

2. Term of Agreement. This Agreement shall commence on the date hereof and shall continue in effect until December 31, 2003; provided, however, that commencing December 31, 2001 and each December 31 thereafter, the remaining term of this Agreement shall automatically be extended for one additional year (to a total of three years) unless at least 90 days prior to such anniversary, the Company or you shall have given notice that this Agreement shall not be extended; and provided, however, that if a change in control of the Company shall occur while this Agreement is in effect, this Agreement shall automatically be extended for 24 months from the date the change in control of the Company occurs. This Agreement shall terminate if you or the Company terminates your employment prior to a change in control of the Company but without prejudice to any remedy the Company may have for breach of your obligations, if any, under section 1(b).

3. Severance Payment and Benefits If Termination Occurs Following Change in Control for Disability, Without Cause, With Good Reason or Without Good Reason within 12 Months of the Change. If, (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 or Within 12 Months of Change in Control. If your employment with the Company is terminated without Cause by the Company or with Good Reason by you, or by you within 12 months of a change in control of the Company without Good Reason, then the Company shall pay to you, upon demand, the following amounts (net of applicable payroll taxes):

(i) Your full base salary through the Date of Termination at the rate in effect on the date the change in control of the Company occurs plus year-to-date accrued vacation.

(ii) As severance pay, an amount equal to the product of 2.99 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 target bonus that could have been paid to you for such year if all applicable targets and objectives had been achieved, or if no formal bonus program is in effect, the largest bonus amount paid to you during any one of the three preceding calendar years, your income from the exercise of nonqualified options during such year, your compensation income from any disqualifying disposition during such year of stock acquired pursuant to the exercise of incentive stock options and other annualized amounts that constitute taxable income to you from the Company for such year, without reduction for salary reduction amounts excludible from income under Section 402(e)(3) or 125 of the Internal Revenue Code of 1986, as amended (the "Code"), or (B) your average "Compensation" (as defined below) for the three calendar years preceding the calendar year in which the change in control of the Company occurs. As used in this subsection 3(b)(ii) your "Compensation" shall mean your base salary, bonus, income from the exercise of nonqualified options, compensation income from any disqualifying disposition of stock acquired pursuant to the exercise of incentive stock options and any other amounts that constitute taxable income to you from the Company, without reduction for salary reduction amounts excludible from income under Section 402(e)(3) or 125 of the Code.

(c) Related Benefits. Unless you die or your employment is terminated by the Company for Cause or Disability, or by you other than for Good Reason and not within 12 months after a change in control of the Company, the Company shall maintain in full force and effect, for your continued benefit and, if applicable, for the continued benefit of your spouse and family, for three years after the Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, all noncash employee benefit plans, programs, or arrangements (including, without limitation, pension and retirement plans and arrangements, stock option plans, life insurance and health and accident plans and arrangements, medical insurance plans, disability plans, and vacation plans) in which you were entitled to participate immediately prior to the Date of Termination, as in effect at the Date of Termination, or, if more favorable to you and, if applicable, your spouse and family, as in effect generally at any time thereafter with respect to executive employees of the Company or any successor; provided that your continued participation is possible after Termination under the general terms and provisions of such plans, programs, and arrangements; provided, however, that if you become eligible to participate in a benefit plan, program, or arrangement of another employer which confers substantially similar benefits upon you, you shall cease to receive benefits under this subsection in respect of such plan, program, or arrangement. In the event that your participation in any such plan, program, or arrangement is not possible after Termination under the general terms and provisions of such plans, programs, and arrangements, the Company shall arrange to provide you with benefits substantially similar to those which you are entitled to receive under such plans, programs and arrangements or alternatively, pay an amount equal to the reasonable value of such substantially similar benefits. If, after termination of employment following a change in control of the Company, you elect or, if applicable, your spouse or family elects, COBRA continuation coverage, the Company will pay the applicable COBRA premium for the maximum period during which such coverage is available. If termination follows a change in control of the Company specified in Section 6(b)(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) Automatic Extension. Notwithstanding the prior provisions of this Section, if an individual is elected to the Board of Directors who has not been nominated by the Board of Directors as constituted prior to his election, then the term of this Agreement will automatically be extended until two years from the date on which such individual was elected if such extended termination date is later than the normal termination date of this Agreement, otherwise, the termination date of this Agreement will be as provided above. This extension will take effect only upon the first instance of an individual being elected to the Board of Directors without having been nominated by the original Board.

(f) Alternative to Lump Sum Payout. The amount described in this subsection will be paid to you in a single lump-sum unless, at least 30 days before the conclusion of a change in control of the Company, you elect in writing to receive the severance pay in 3 equal annual payments with the first payment to be made within 30 days of demand and the subsequent payments to be made by January 31st of each year subsequent to the year in which the first payment is made, provided that under no circumstances will two payments be made during a single tax year of the recipient.

4. Payment If Termination Occurs Following Change in Control, Because of Death, For Cause, or Without Good Reason and not within 12 Months of the Change in Control. If your employment shall be terminated following any event constituting a change in control of the Company because of your death, or by the Company for Cause, or by you other than for Good Reason and not within 12 months after a change in control of the Company, the Company shall pay you your full base salary through the Date of Termination at the rate in effect on the date the change in control of the Company occurs plus year-to-date accrued vacation. The Company shall have no further obligations to you under this Agreement.

5. No Mitigation. You shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor, except as expressly set forth herein, shall the amount of any payment provided for in this Agreement be reduced by any compensation earned by you as the result of employment by another employer after the Date of Termination, or otherwise.

6. Definitions of Certain Terms. For the purpose of this Agreement, the terms defined in this section 6 shall have the meanings assigned to them herein.

(a) Cause. Termination of your employment by the Company for "Cause" shall mean termination because, and only because, you committed an act of fraud, embezzlement, or theft constituting a felony or an act intentionally against the interests of the Company which causes the Company material injury. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for the purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct constituting Cause as defined above and specifying the particulars thereof in detail.

(b) Change in Control of the Company. A "change in control of the Company" shall mean:

(i) A change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A as in effect on the date hereof pursuant to the Securities Exchange Act of 1934 (the "Exchange Act"); provided that, without limitation, such a change in control shall be deemed to have occurred at such time as any Person hereafter becomes the "Beneficial Owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 30 percent or more of the combined voting power of the Company's Voting Securities; or

(ii) During any period of two consecutive years, individuals who at the beginning of such period constitute the Board cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election by the Company's shareholders, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period; or

(iii) There shall be consummated (x) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which Voting Securities would be converted into cash, securities, or other property, other than a merger of the Company in which the holders of Voting Securities immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, or (y) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all, or substantially all of the assets of the Company, provided that any such consolidation, merger, sale, lease, exchange or other transfer consummated at the insistence of an appropriate banking regulatory agency shall not constitute a change in control of the Company; or

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

(c) Date of Termination. "Date of Termination" shall mean (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 absence from your duties with the Company on a full-time basis for 180 consecutive days as a result of your incapacity due to physical or mental illness and your failure to return to the performance of your duties on a full-time basis during the 30-day period after Notice of Termination is given.

(e) Good Reason. Termination by you of your employment for "Good Reason" shall mean termination based on any of the following:

(i) A change in your status or position(s) with the Company, which in your reasonable judgment, does not represent a promotion from your status or 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 the 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 section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), 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. 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 section 280G(b)(2) of the Code 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 sections 280G(d)(3) and (4) of the Code. 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. Miscellaneous. No provision of this Agreement may be modified, waived, or discharged unless such modification, waiver, or discharge is agreed to in a writing signed by you and the Chief Executive Officer or President of the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or of compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same, or at any prior or subsequent, time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction, and performance of this Agreement shall be governed by laws of the State of New York without giving effect to the principles of conflict of laws thereof.

11. Legal Fees and Expenses. The Company shall pay or reimburse any reasonable legal fees and expenses you may incur in connection with any legal action to enforce your rights under, or to defend the validity of, this Agreement. The Company will pay or reimburse such legal fees and expenses on a regular, periodic basis upon presentation by you of a statement or statements prepared by your counsel in accordance with its usual practices.

12. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

13. Payments During Controversy. Notwithstanding the pendency of any dispute or controversy, the Company will continue to pay you your full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, base salary and installments of incentive compensation) and continue you as a participant in all compensation, benefit, and insurance plans in which you were participating when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with section 7(c). Amounts paid under this section are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement. You shall be entitled to seek specific performance of your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

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

If this letter correctly sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter, which will then constitute our agreement on this subject.

Very truly yours,

NBT BANCORP INC.

By: /s/ Daryl Forsythe

AGREED TO:

/s/ David E. Raven
David E. Raven

**FIRST AMENDMENT TO
THE SUPPLEMENTAL EXECUTIVE RETIREMENT AGREEMENT
EFFECTIVE JULY 23, 2001**

WHEREAS, this is the first amendment (the "First Amendment") to the NBT Bancorp Inc. Supplemental Executive Retirement Plan, effective as of July 23, 2001 (the "SERP");

WHEREAS, the SERP, as amended, is between **NBT Bancorp Inc.**, a Delaware corporation and a registered financial holding company headquartered at 52 S. Broad Street, Norwich, New York 13815, and **Michael J. Chewens**, an individual residing at 30 Pine Meadow Road, Vestal, New York, 13850;

NOW, THEREFORE, the SERP is amended, effective as of January 1, 2005, as follows:

1. Section 7.1 of the SERP shall be amended by deleting the second paragraph therein in its entirety.
 2. Section 7.2 of the SERP shall be amended by deleting the phrase "Except with respect to receipt of a lump sum benefit under Section 7.1," in the section's first sentence. The first sentence in Section 7.2 of the SERP shall now begin with the words "Any election for an optional mode ..."
 3. Section 7.3 of the SERP shall be amended by deleting this section in its entirety and replacing it with the following:

"Payment of any Retirement Income Benefit and 401(k)/ESOP Benefit under the Plan shall not commence on a date before the first day of 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."
 4. Section 7.4 of the SERP shall be amended by deleting the period at the end of subsection (b) therein and replacing it with a comma, followed by the word "and"; and by adding a new subsection (c) to read as follows:

"(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."
-

5. Section 7.5(c) of the SERP shall be amended by deleting this subsection in its entirety.
6. In all other respects the Plan shall remain in full force and effect.

NBT BANCORP INC.

By: /s/ Martin A. Dietrich
Martin A. Dietrich
President
and Chief Executive Officer

Date: November 13, 2008

By: /s/ Michael J. Chewens
Michael J. Chewens

Date: November 13, 2008

**SECOND AMENDMENT TO
THE SUPPLEMENTAL EXECUTIVE RETIREMENT AGREEMENT
EFFECTIVE JULY 23, 2001**

WHEREAS, this is the second amendment (the "Second Amendment") to the NBT Bancorp Inc. Supplemental Executive Retirement Plan, effective as of July 23, 2001, and as amended on January 20, 2006 (the "SERP");

WHEREAS, the SERP, as amended, is between **NBT Bancorp Inc.**, a Delaware corporation and a registered financial holding company headquartered at 52 S. Broad Street, Norwich, New York 13815, and **Martin A. Dietrich**, an individual residing at 122 Serenity Drive, Norwich, New York, 13815;

NOW, THEREFORE, the SERP is amended, effective as of January 1, 2005, as follows:

1. Section 7.1 of the SERP shall be amended by deleting the second paragraph therein in its entirety.
2. Section 7.2 of the SERP shall be amended by deleting the phrase "Except with respect to receipt of a lump sum benefit under Section 7.1," in the section's first sentence. The first sentence in Section 7.2 of the SERP shall now begin with the words "Any election for an optional mode ..."
3. Section 7.3 of the SERP shall be amended by deleting this section in its entirety and replacing it with the following:

"Payment of any Retirement Income Benefit and 401(k)/ESOP Benefit under the Plan shall not commence on a date before the first day of 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."
4. Section 7.4 of the SERP shall be amended by deleting the period at the end of subsection (b) therein and replacing it with a comma, followed by the word "and"; and by adding a new subsection (c) to read as follows:

"(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."

5. Section 7.5(c) of the SERP shall be amended by deleting this subsection in its entirety.

6. In all other respects the Plan shall remain in full force and effect.

NBT BANCORP INC.

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

Date: November 13, 2008

By: /s/ Martin A. Dietrich
Martin A. Dietrich

Date: November 13, 2008

**FIRST AMENDMENT TO
THE SUPPLEMENTAL EXECUTIVE RETIREMENT AGREEMENT
EFFECTIVE JULY 23, 2001**

WHEREAS, this is the first amendment (the "First Amendment") to the NBT Bancorp Inc. Supplemental Executive Retirement Plan, effective as of July 23, 2001 (the "SERP");

WHEREAS, the SERP, as amended, is between **NBT Bancorp Inc.**, a Delaware corporation and a registered financial holding company headquartered at 52 S. Broad Street, Norwich, New York 13815, and **David E. Raven**, an individual residing at 808 Parkview Road, Moscow, Pennsylvania 18444;

NOW, THEREFORE, the SERP is amended, effective as of January 1, 2005, as follows:

1. Section 7.1 of the SERP shall be amended by deleting the second paragraph therein in its entirety.
2. Section 7.2 of the SERP shall be amended by deleting the phrase "Except with respect to receipt of a lump sum benefit under Section 7.1," in the section's first sentence. The first sentence in Section 7.2 of the SERP shall now begin with the words "Any election for an optional mode ..."
3. Section 7.3 of the SERP shall be amended by deleting this section in its entirety and replacing it with the following:

"Payment of any Retirement Income Benefit and 401(k)/ESOP Benefit under the Plan shall not commence on a date before the first day of 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."
4. Section 7.4 of the SERP shall be amended by deleting the period at the end of subsection (b) therein and replacing it with a comma, followed by the word "and"; and by adding a new subsection (c) to read as follows:

"(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."

5. Section 7.5(c) of the SERP shall be amended by deleting this subsection in its entirety.

6. In all other respects the Plan shall remain in full force and effect.

NBT BANCORP INC.

By: /s/ Martin A. Dietrich
Martin A. Dietrich
President and
Chief Executive Officer

Date: November 13, 2008

By: /s/ David E. Raven
David E. Raven

Date: November 13, 2008

November 13, 2008

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

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

Dear Michael:

As you are aware, in 2004 a new Section 409A was added to the Internal Revenue Code by the American Jobs Creation Act of 2004 (the "Act"). The Act made significant changes in the tax law as it applies to executive compensation. In late September of 2005 the Internal Revenue Service published proposed regulations relating to compliance with the Act. One change involves delaying distributions to "key employees" (as defined below) by a minimum of six months. Therefore, severance payments payable under your current employment contract with NBT Bancorp, Inc. ("NBTB"), dated January 1, 2005, ("Employment Agreement") must be made in compliance with the Act or a substantial excise tax (payable by you) would be imposed.

For this purpose, a "key employee" is generally one who is an officer of NBTB with annual compensation greater than \$130,000. See Section 416(i) of the Internal Revenue Code and the regulations promulgated there under for a complete definition of a "key employee".

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

Your Change in Control -- Severance Agreement, dated July 23, 2001, ("Severance Agreement") provides that you are entitled to severance payments if, within 24 months following a Change in Control of NBTB, your employment with NBTB was involuntarily terminated (other than for "Cause") or you resigned for Good Reason (or without Good Reason within 12 months following a Change in Control of NBTB), as those terms are defined in the Severance Agreement. Pursuant to the Severance Agreement, severance payments would begin not later than the fifth business day following your Date of Termination (as defined in the Severance Agreement) and continue for the term set forth in the Severance Agreement.

If you become entitled to the severance payments provided for in the Employment Agreement or the Severance Agreement, and if you are in fact a key employee at the time payment is owed to you, the Act provides that these payments will be subject to a 20% excise tax.

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

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

Very truly yours,
NBT BANCORP INC.

By: /s/ Martin A. Dietrich
Martin A. Dietrich
President and
Chief Executive Officer

Acknowledged and Agreed to:

/s/ Michael J. Chewens
Michael J. Chewens
Senior Executive Vice President and
Chief Financial Officer

November 13, 2008

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

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

Dear Martin:

As you are aware, in 2004 a new Section 409A was added to the Internal Revenue Code by the American Jobs Creation Act of 2004 (the "Act"). The Act made significant changes in the tax law as it applies to executive compensation. In late September of 2005 the Internal Revenue Service published proposed regulations relating to compliance with the Act. One change involves delaying distributions to "key employees" (as defined below) by a minimum of six months. Therefore, severance payments payable under your current employment contract with NBT Bancorp, Inc. ("NBTB"), dated January 1, 2005, ("Employment Agreement") must be made in compliance with the Act or a substantial excise tax (payable by you) would be imposed.

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

Very truly yours,
NBT BANCORP INC.

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

Acknowledged and Agreed to:

/s/ Martin A. Dietrich
Martin A. Dietrich
President and
Chief Executive Officer

November 13, 2008

David E. Raven
808 Parkview Road
Moscow, PA 18444

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

Dear David:

As you are aware, in 2004 a new Section 409A was added to the Internal Revenue Code by the American Jobs Creation Act of 2004 (the "Act"). The Act made significant changes in the tax law as it applies to executive compensation. In late September of 2005 the Internal Revenue Service published proposed regulations relating to compliance with the Act. One change involves delaying distributions to "key employees" (as defined below) by a minimum of six months. Therefore, severance payments payable under your current employment contract with NBT Bancorp, Inc. ("NBTB"), dated January 1, 2005, ("Employment Agreement") must be made in compliance with the Act or a substantial excise tax (payable by you) would be imposed.

For this purpose, a "key employee" is generally one who is an officer of NBTB with annual compensation greater than \$130,000. See Section 416(i) of the Internal Revenue Code and the regulations promulgated thereunder for a complete definition of a "key employee".

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

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If you become entitled to the severance payments provided for in the Employment Agreement or the Severance Agreement, and if you are in fact a key employee at the time payment is owed to you, the Act provides that these payments will be subject to a 20% excise tax.

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

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

Very truly yours,
NBT BANCORP INC.

By: /s/ Martin A. Dietrich
Martin A. Dietrich
President and
Chief Executive Officer

Acknowledged and Agreed to:

/s/ David E. Raven
David E. Raven
Executive Vice President

Exhibit 10.33**Description of Arrangement for Directors Fees**

Except as set forth below, the following sets forth the amount of fees payable to outside directors of NBT Bancorp for their services as Directors in fiscal year 2009:

| Event | Fee |
|---|---|
| Annual retainer | Cash (Member) - \$5,000 Restricted Stock (Member) - \$10,000 Restricted Stock (Chairman) - \$50,000 Deferred common stock (Member) – 400 shares Deferred common stock (Chairman) – 600 shares |
| Board meeting attended | Cash (Member) - \$900 per meeting Cash (Chairman) - \$1,000 per meeting |
| Telephonic board meeting | Cash (Member) - \$900 per meeting Cash (Chairman) - \$1,000 per meeting |
| Committee meeting attended | Cash (Member) - \$600 per meeting Cash (Chairman) - \$900 per meeting |
| Telephonic committee meeting | Cash (Member) - \$600 per meeting Cash (Chairman) - \$900 per meeting |
| Common stock options | Member - 1,000 shares multiplied by the number of board meetings attended in the prior year and divided by the number of meetings held in the prior year. |
| | Chairman - 5,000 shares multiplied by the number of board meetings attended in the prior year and divided by the number of meetings held in the prior year. |
| Special meeting held with committee member representative at the request of management for the purpose of discussing board related matters. | \$900 per meeting |

The Chairman of the Board receives \$1,000 for each board and committee meeting attended except for Compensation & Benefits Committee, Risk Management Committee and the Nominating, Organization & Board Affairs Committee for which the Chairman currently fails to meet “Director Independence” requirements identified under applicable sections of NASDAQ Corporate Governance Rules.

RESOLUTION OF THE
COMPENSATION COMMITTEE
OF
NBT BANCORP INC.
September 22, 2008

After discussion, and upon a motion duly made and seconded, it was

RESOLVED, that the Martin A. Dietrich Supplemental Executive Retirement Plan (SERP) dated July 23, 2001, as amended on January 20, 2006, shall be further amended to update certain provisions associated with the January 20, 2006 amendment that were not updated at the time of said amendment with respect to normal and early retirement ages. Therefore, Sections 7.4 and 8.6 shall be restated in their entirety as follows:

7.4 The Supplemental Retirement Benefit shall be paid:

- (a) except as provided in Section 7.4(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 60; or
- (b) commencing on the first day of the month following the Participant's Determination Date in connection with early retirement after reaching age 58 and prior to the date of his or her 60th birthday.

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 58th birthday, no Supplemental Retirement Benefit shall be payable.
 - (b) If a Participant shall die on or after his or her 58th 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, subject to the right of the Company to accelerate payment at any time in accordance with Section 7.5(c). 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 Supplemental 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 7.5.

Furthermore, NBT Bancorp Inc. Management is hereby authorized to take all actions (including, without limitation, execution and filing of documents and payment of expenses) and to make all determinations necessary to effect this amendment.

/s/ Michael J. Chewens
Michael J. Chewens
Secretary

EXHIBIT 21**List of Subsidiaries of the Registrant**

| | Jurisdiction of Incorporation | Names Under Which Subsidiary does Business |
|---|----------------------------------|---|
| NBT Bancorp Inc. Subsidiaries: | | |
| NBT Bank, National Association | New York | NBT Bank |
| NBT Financial Services, Inc. | Delaware | NBT Financial Services |
| Hathaway Agency, Inc. | New York | Hathaway Agency |
| CNBF Capital Trust I | Delaware | CNBF Capital Trust I |
| NBT Statutory Trust I | Delaware | NBT Statutory Trust I |
| NBT Statutory Trust II | Delaware | NBT Statutory Trust II |
| NBT Holdings, Inc. | New York | NBT Holdings |
| NBT Bank, National Association Subsidiaries: | | |
| NBT Capital Corp. | New York | NBT Capital Corp. |
| LA Lease, Inc. | Pennsylvania | LA Lease |
| Colonial Financial Services, Inc. | New York | Colonial Financial Services |
| NBT Services, Inc. | Delaware | NBT Services |
| Broad Street Property Associates, Inc. | New York | Broad Street Property Associates |
| Pennstar Bank Services Company | Delaware | Pennstar Bank Services |
| FNB Financial Services, Inc. | Delaware | FNB Financial Services |
| CNB Realty Trust | Maryland | CNB Realty Trust |
| Pennstar Realty Trust | Maryland | Pennstar Realty Trust |
| CNB REIT Corp. | New York | CNB REIT |
| NBT Financial Services, Inc. Subsidiaries: | | |
| Pennstar Financial Services, Inc. | Pennsylvania | Pennstar Financial Services |
| EPIC Advisors, Inc. | New York | EPIC Advisors |
| NBT Holdings, Inc. Subsidiaries: | | |
| Mang Insurance Agency, LLC | New York | Mang Insurance Agency |

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
NBT Bancorp Inc.:

We consent to incorporation by reference in the Registration Statements on Form S-3 (File No. 33-12247) and Forms S-8 (File Nos. 333-71830, 333-73038, 333-66472, 333-97995, 333-107479, 333-107480, 333-127098, 333-139956 and 333-150956) of NBT Bancorp Inc. of our reports dated February 27, 2009, with respect to the consolidated balance sheets of NBT Bancorp Inc. and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in stockholders' equity, cash flows and comprehensive income for each of the years in the three-year period ended December 31, 2008, and the effectiveness of internal control over financial reporting as of December 31, 2008, which reports appear in the December 31, 2008 annual report on Form 10-K of NBT Bancorp Inc.

/s/ KPMG LLP

Albany, New York
February 27, 2009

EXHIBIT 31.1**CERTIFICATION – Rule 13a-14(a) Certification of Chief Executive Officer**

I, Martin A. Dietrich, certify that:

1. I have reviewed this annual report on Form 10-K of NBT Bancorp Inc.
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls or procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operations of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

Date: March 2, 2009

/s/ Martin A. Dietrich

Martin A. Dietrich

Chief Executive Officer

EXHIBIT 31.2**CERTIFICATION - - Rule 13a-14(a) Certification of Chief Financial Officer**

I, Michael J. Chewens, certify that:

1. I have reviewed this annual report on Form 10-K of NBT Bancorp Inc.
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls or procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operations of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

Date: March 2, 2009

/s/ Michael J. Chewens

Michael J. Chewens

Senior Executive Vice President, Chief Financial Officer and Corporate Secretary

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION

906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, the Chief Executive Officer of NBT Bancorp Inc. (the “Company”), hereby certifies that to his knowledge on the date hereof:

- (a) the Form 10-K of the Company for the Annual Period Ended December 31, 2008, filed on the date hereof with the Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Martin A. Dietrich

Martin A. Dietrich
Chief Executive Officer

March 2, 2009

The forgoing certification is being furnished solely pursuant to Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code in accordance with Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION

906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, the Chief Financial Officer of NBT Bancorp Inc. (the “Company”), hereby certifies that to his knowledge on the date hereof:

- (a) the Form 10-K of the Company for the Annual Period Ended December 31, 2008, filed on the date hereof with the Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael J. Chewens

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

March 2, 2009

The forgoing certification is being furnished solely pursuant to Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code in accordance with Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.
