UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

(Mark One)
x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2010.

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ________ to ________.

COMMISSION FILE NUMBER 0-14703

NBT BANCORP INC.

(Exact Name of Registrant as Specified in its Charter)

DELAWARE	**16-1268674**
(State of Incorporation)	(I.R.S. Employer Identification No.)

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

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

None
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

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

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

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

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

As of April 30, 2010, there were 34,460,268 shares outstanding of the Registrant's common stock, $0.01 par value per share.

NBT BANCORP INC.
FORM 10-Q--Quarter Ended March 31, 2010

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Item 1 – FINANCIAL STATEMENTS

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

(In thousands, except share and per share data)	**March 31, 2010**	December 31, 2009
Assets		
Cash and due from banks	**$ 101,170**	$ 107,980
Short-term interest bearing accounts	**135,606**	79,181
Securities available for sale, at fair value	**1,151,746**	1,116,758
Securities held to maturity (fair value $158,896 and $161,851, respectively)	**157,108**	159,946
Trading securities	**2,593**	2,410
Federal Reserve and Federal Home Loan Bank stock	**33,728**	35,979
Loans and leases	**3,637,622**	3,645,398
Less allowance for loan and lease losses	**70,150**	66,550
Net loans and leases	**3,567,472**	3,578,848
Premises and equipment, net	**66,229**	66,221
Goodwill	**114,841**	114,938
Intangible assets, net	**19,809**	20,590
Bank owned life insurance	**75,732**	74,751
Other assets	**105,026**	106,424
Total assets	**$ 5,531,060**	$ 5,464,026
Liabilities		
Demand (noninterest bearing)	**$ 758,770**	$ 789,989
Savings, NOW, and money market	**2,408,924**	2,269,779
Time	**1,009,485**	1,033,278
Total deposits	**4,177,179**	4,093,046
Short-term borrowings	**166,942**	155,977
Long-term debt	**504,590**	554,698
Trust preferred debentures	**75,422**	75,422
Other liabilities	**91,451**	79,760
Total liabilities	**5,015,584**	4,958,903
Stockholders' equity		
Preferred stock, $0.01 par value. Authorized 2,500,000 shares at March 31, 2010 and December 31, 2009	**-**	-
Common stock, $0.01 par value. Authorized 50,000,000 shares at March 31, 2010 and December 31, 2009; issued 38,035,539 at March 31, 2010 and December 31, 2009	**380**	380
Additional paid-in-capital	**312,120**	311,164
Retained earnings	**277,158**	270,232
Accumulated other comprehensive income	**2,596**	1,163
Common stock in treasury, at cost, 3,601,082 and 3,650,068 shares at March 31, 2010 and December 31, 2009, respectively	**(76,778)**	(77,816)
Total stockholders' equity	**515,476**	505,123
Total liabilities and stockholders' equity	**$ 5,531,060**	$ 5,464,026

See accompanying notes to unaudited interim consolidated financial statements.

NBT Bancorp Inc. and Subsidiaries Consolidated Statements of Income (unaudited)	Three months ended March 31, 2010	 2009
(In thousands, except per share data)		
Interest, fee, and dividend income		
Interest and fees on loans and leases	**$ 53,692**	$ 55,411
Securities available for sale	**10,046**	12,375
Securities held to maturity	**1,137**	1,234
Other	**596**	361
Total interest, fee, and dividend income	**65,471**	69,381
Interest expense		
Deposits	**8,454**	13,839
Short-term borrowings	**124**	147
Long-term debt	**5,065**	6,197
Trust preferred debentures	**1,027**	1,086
Total interest expense	**14,670**	21,269
Net interest income	**50,801**	48,112
Provision for loan and lease losses	**9,243**	6,451
Net interest income after provision for loan and lease losses	**41,558**	41,661
Noninterest income		
Service charges on deposit accounts	**6,130**	6,297
Insurance revenue	**5,245**	5,338
Trust	**1,766**	1,409
Net securities gains	**28**	-
Bank owned life insurance	**981**	872
ATM and debit card fees	**2,367**	2,182
Retirement plan administration fees	**2,390**	1,741
Other	**1,434**	1,751
Total noninterest income	**20,341**	19,590
Noninterest expense		
Salaries and employee benefits	**22,204**	21,427
Occupancy	**4,152**	4,165
Equipment	**2,100**	2,022
Data processing and communications	**3,218**	3,295
Professional fees and outside services	**2,284**	2,722
Office supplies and postage	**1,542**	1,530
Amortization of intangible assets	**781**	813
Loan collection and other real estate owned	**1,059**	748
FDIC expenses	**1,553**	1,529
Other	**3,267**	4,054
Total noninterest expense	**42,160**	42,305
Income before income tax expense	**19,739**	18,946
Income tax expense	**5,763**	5,874
Net income	**$ 13,976**	$ 13,072
Earnings per share		
Basic	**$ 0.41**	$ 0.40
Diluted	**$ 0.41**	$ 0.40

See accompanying notes to unaudited interim consolidated financial statements.

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

(in thousands, except share and per share data)	Common Stock	Additional Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Common Stock in Treasury	Total
Balance at December 31, 2008	**$ 365**	**$ 276,418**	**$ 245,340**	**$ (8,204)**	**$ (82,074)**	**$ 431,845**
Net income	-	-	13,072	-	-	13,072
Cash dividends - $0.20 per share	-	-	(6,531)	-	-	(6,531)
Net issuance of 12,471 common shares to employee benefit plans and other stock plans, including tax benefit	-	2	-	-	200	202
Stock-based compensation	-	1,183	-	-	-	1,183
Issuance of 37,268 shares of restricted stock awards	-	(792)	-	-	792	-
Forfeiture of 2,850 shares of restricted stock	-	66	-	-	(66)	-
Other comprehensive income	-	-	-	2,827	-	2,827
Balance at March 31, 2009	**$ 365**	**$ 276,877**	**$ 251,881**	**$ (5,377)**	**$ (81,148)**	**$ 442,598**
Balance at December 31, 2009	**$ 380**	**$ 311,164**	**$ 270,232**	**$ 1,163**	**$ (77,816)**	**$ 505,123**
Net income	-	-	13,976	-	-	13,976
Cash dividends - $0.20 per share	-	-	(6,883)	-	-	(6,883)
Net issuance of 37,931 shares to employee benefit plans and other stock plans, including tax benefit	-	760	(167)	-	720	1,313
Stock-based compensation	-	514	-	-	-	514
Issuance of 13,055 shares of restricted stock awards	-	(364)	-	-	364	-
Forfeiture of 2,000 shares of restricted stock	-	46	-	-	(46)	-
Other comprehensive income	-	-	-	1,433	-	1,433
Balance at March 31, 2010	**$ 380**	**$ 312,120**	**$ 277,158**	**$ 2,596**	**$ (76,778)**	**$ 515,476**

See accompanying notes to unaudited interim consolidated financial statements.

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NBT Bancorp Inc. and Subsidiaries
Consolidated Statements of Cash Flows (unaudited)
(In thousands, except per share data)

	Three Months Ended March 31, 2010	2009
Operating activities		
Net income	**$ 13,976**	$ 13,072
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for loan and lease losses	**9,243**	6,451
Depreciation and amortization of premises and equipment	**1,324**	1,335
Net accretion on securities	**152**	116
Amortization of intangible assets	**781**	813
Stock based compensation	**514**	1,183
Bank owned life insurance income	**(981)**	(872)
Trading security purchases	**(80)**	(436)
Unrealized (gains) losses in trading securities	**(103)**	102
Deferred income tax benefit	**(3,588)**	(643)
Proceeds from sales of loans held for sale	**21,789**	27,387
Originations and purchases of loans held for sale	**(21,277)**	(36,586)
Net gains on sales of loans held for sale	**(263)**	(166)
Net securities gains	**(28)**	-
Net gains on sales of other real estate owned	**(118)**	(12)
Net decrease (increase) in other assets	**1,541**	(15,617)
Net (decrease) increase in other liabilities	**(3,979)**	969
Net cash provided by (used in) operating activities	**18,903**	(2,904)
Investing activities		
Securities available for sale:		
Proceeds from maturities, calls, and principal paydowns	**145,182**	113,516
Proceeds from sales	**702**	-
Purchases	**(160,683)**	(101,283)
Securities held to maturity:		
Proceeds from maturities, calls, and principal paydowns	**15,400**	14,783
Purchases	**(12,578)**	(13,799)
Net decrease in loans	**1,539**	6,524
Net decrease in Federal Reserve and FHLB stock	**2,251**	1,125
Cash received from death benefit	**-**	1,037
Purchases of premises and equipment, net	**(1,332)**	(1,045)
Proceeds from sales of other real estate owned	**811**	87
Net cash (used in) provided by investing activities	**(8,708)**	20,945
Financing activities		
Net increase in deposits	**84,133**	152,661
Net increase (decrease) in short-term borrowings	**10,965**	(79,305)
Proceeds from issuance of long-term debt	**-**	121
Repayments of long-term debt	**(50,108)**	(16,252)
Excess tax benefit from exercise of stock options	**809**	32
Proceeds from the issuance of shares to employee benefit plans and other stock plans	**504**	170
Cash dividends and payment for fractional shares	**(6,883)**	(6,531)
Net cash provided by financing activities	**39,420**	50,896
Net increase in cash and cash equivalents	**49,615**	68,937
Cash and cash equivalents at beginning of period	**187,161**	110,396
Cash and cash equivalents at end of period	**$ 236,776**	$ 179,333
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Interest	**$ 14,530**	$ 21,014
Income taxes paid	**3,421**	164
Noncash investing activities:		
Loans transferred to OREO	**$ 324**	$ 664
Increase in securities purchases in process	**18,315**	-

See accompanying notes to unaudited interim consolidated financial statements.

Consolidated Statements of Comprehensive Income (unaudited)	Three months ended March 31, 2010	2009
(In thousands)		
Net income	**$ 13,976**	$ 13,072
Other comprehensive income, net of tax		
Unrealized net holding gains arising during the period (pre-tax amounts of $2,010 and $4,026)	**1,213**	2,432
Reclassification adjustment for net gains related to securities available for sale included in net income (pre-tax amounts of ($28) and $0)	**(17)**	-
Pension and other benefits:		
Amortization of prior service cost and actuarial gains (pre-tax amounts of $393 and $658)	**237**	395
Total other comprehensive income	**1,433**	2,827
Comprehensive income	**$ 15,409**	$ 15,899

See accompanying notes to unaudited interim consolidated financial statements

NBT BANCORP INC. and Subsidiaries
NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2010

Note 1. Description of Business

NBT Bancorp Inc. (the “Registrant”) is a registered financial holding company incorporated in the State of Delaware in 1986, with its principal headquarters located in Norwich, New York. The Registrant is the parent holding company of NBT Bank, N.A. (the “Bank”), NBT Financial Services, Inc. (“NBT Financial”), NBT Holdings, Inc. (“NBT Holdings”), CNBF Capital Trust I, NBT Statutory Trust I and NBT Statutory Trust II (the “Trusts”). Through the Bank, the Company is focused on community banking operations. Through NBT Financial, the Company operates EPIC Advisors, Inc. (“EPIC”), a retirement plan administrator. Through NBT Holdings, the Company operates Mang Insurance Agency, LLC (“Mang”), a full-service insurance agency. The Trusts were organized to raise additional regulatory capital and to provide funding for certain acquisitions. The Registrant’s primary business consists of providing commercial banking and financial services to customers in its market area. The principal assets of the Registrant are all of the outstanding shares of common stock of its direct subsidiaries, and its principal sources of revenue are the management fees and dividends it receives from the Bank, NBT Financial, and NBT Holdings.

The Bank is a full service commercial bank formed in 1856, which provides a broad range of financial products to individuals, corporations and municipalities throughout upstate New York, northeastern Pennsylvania, and Burlington, Vermont market areas.

Note 2. Basis of Presentation

The accompanying unaudited interim consolidated financial statements include the accounts of the Registrant and its wholly owned subsidiaries, the Bank, NBT Financial and NBT Holdings. Collectively, the Registrant and its subsidiaries are referred to herein as “the Company.” All intercompany transactions have been eliminated in consolidation. Amounts in the prior period financial statements are reclassified whenever necessary to conform to current period presentation.

Note 3. Use of Estimates

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

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

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

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

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

Income taxes are accounted for under the asset and liability method. The Company files consolidated tax returns on the accrual basis. Deferred income taxes are recognized for the future tax consequences and benefits attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Realization of deferred tax assets is dependent upon the generation of future taxable income or the existence of sufficient taxable income within the available carryback period. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax asset will not be realized. Based on available evidence, gross deferred tax assets will ultimately be realized and a valuation allowance was not deemed necessary at March 31, 2010 or December 31, 2009. The effect of a change in tax rates on deferred taxes is recognized in income in the period that includes the enactment date. Uncertain tax positions are recognized only when it is more likely than not (likelihood of greater than 50%), based on technical merits, that the position would be sustained upon examination by taxing authorities. Tax positions that meet the more than likely than not threshold are measured using a probability-weighted approach as the largest amount of tax benefit that is greater than 50% likely of being realized upon settlement.

Management is required to make various assumptions in valuing its pension assets and liabilities. These assumptions include the expected long-term rate of return on plan assets, the discount rate, and the rate of increase in future compensation levels. Changes to these assumptions could impact earnings in future periods. The Company takes into account the plan asset mix, funding obligations, and expert opinions in determining the various assumptions used to compute pension expense. The Company also considers relevant indices and market interest rates in selecting an appropriate discount rate. A cash flow analysis for expected benefit payments from the plan is performed each year to also assist in selecting the discount rate. In addition, the Company reviews expected inflationary and merit increases to compensation in determi ning the expected rate of increase in future compensation levels.

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

Note 4. Commitments and Contingencies

The Company is a party to financial instruments in the normal course of business to meet financing needs of its customers and to reduce its own exposure to fluctuating interest rates. These financial instruments include commitments to extend credit, unused lines of credit, and standby letters of credit. Exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to make loans and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policy to make such commitments as it uses for on-balance-sheet items. Commitments to extend credit and unused lines of credit totaled $585.6 million at March 31, 2010 and $556.6 million at December 31, 2009. Since commitments to extend credit and unused lines of credit ma y expire without being fully drawn upon, this amount does not necessarily represent future cash commitments. Collateral obtained upon exercise of the commitment is determined using management's credit evaluation of the borrower and may include accounts receivable, inventory, property, land and other items.

The Company guarantees the obligations or performance of customers by issuing stand-by letters of credit to third parties. These stand-by letters of credit are frequently issued in support of third party debt, such as corporate debt issuances, industrial revenue bonds and municipal securities. The credit risk involved in issuing stand-by letters of credit is essentially the same as the credit risk involved in extending loan facilities to customers, and they are subject to the same credit origination guidelines, portfolio maintenance and management procedures as other credit and off-balance sheet products. Typically, these instruments have terms of five years or less and expire unused; therefore, the total amounts do not necessarily represent future cash commitments. Standby letters of credit totaled $36.6 million at March 31, 2010 and $34.6 million at December 31, 2009. As of March 31, 2010, the fair value of standby letters of credit was not significant to the Company's consolidated financial statements.

Note 5. Earnings Per Share

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

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

Three months ended March 31,	**2010**	2009
(in thousands, except per share data)		
Basic EPS:		
Weighted average common shares outstanding	**34,230**	32,478
Net income available to common shareholders	**13,976**	13,072
Basic EPS	**$ 0.41**	$ 0.40
Diluted EPS:		
Weighted average common shares outstanding	**34,230**	32,478
Dilutive effect of common stock options and restricted stock	**195**	167
Weighted average common shares and common share equivalents	**34,425**	32,645
Net income available to common shareholders	**13,976**	13,072
Diluted EPS	**$ 0.41**	$ 0.40

There were 1,464,626 stock options for the quarter ended March 31, 2010 and 1,216,128 stock options for the quarter ended March 31, 2009 that were not considered in the calculation of diluted earnings per share since the stock options' exercise price was greater than the average market price during these periods.

Note 6. Defined Benefit Postretirement Plans

The Company has a qualified, noncontributory, defined benefit pension plan covering substantially all of its employees at March 31, 2010. Benefits paid from the plan are based on age, years of service, compensation and social security benefits, and are determined in accordance with defined formulas. The Company's policy is to fund the pension plan in accordance with Employee Retirement Income Security Act ("ERISA") standards. Assets of the plan are invested in publicly traded stocks and bonds. Prior to January 1, 2000, the Company's plan was a traditional defined benefit plan based on final average compensation. On January 1, 2000, the plan was converted to a cash balance plan with grandfathering provisions for existing participants.

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

Also, the Company provides certain health care benefits for retired employees. Benefits are accrued over the employees' active service period. Only employees that were employed by the Company on or before January 1, 2000 are eligible to receive postretirement health care benefits. The plan is contributory for participating retirees, requiring participants to absorb certain deductibles and coinsurance amounts with contributions adjusted annually to reflect cost sharing provisions and benefit limitations called for in the plan. Eligibility is contingent upon the direct transition from active employment status to retirement without any break in employment from the Company. Employees also must be participants in the Company's medical plan prior to their retirement. The Comp any funds the cost of postretirement health care as benefits are paid. The Company elected to recognize the transition obligation on a delayed basis over twenty years. These postretirement benefits are referred to herein as "Other Benefits."

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

	Pension Benefits		Other Benefits	
	Three months ended March 31,		Three months ended March 31,	
Components of net periodic (benefit) cost:	2010	2009	2010	2009
Service cost	$ 462	$ 587	$ 5	$ 6
Interest cost	871	862	53	56
Expected return on plan assets	(1,777)	(1,401)	-	-
Net amortization	401	671	(8)	(13)
Total (benefit) cost	$ (43)	$ 719	$ 50	$ 49

The Company is not required to make contributions to the plans in 2010. The Company recorded approximately $0.2 million, net of tax, as amortization of pension amounts previously recognized in Accumulated Other Comprehensive Income during the three months ended March 31, 2010.

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

Note 7. Trust Preferred Debentures

CNBF Capital Trust I is a Delaware statutory business trust formed in 1999, for the purpose of issuing $18 million in trust preferred securities and lending the proceeds to the Company. NBT Statutory Trust I is a Delaware statutory business trust formed in 2005, for the purpose of issuing $5 million in trust preferred securities and lending the proceeds to the Company. NBT Statutory Trust II is a Delaware statutory business trust formed in 2006, for the purpose of issuing $50 million in trust preferred securities and lending the proceeds to the Company to provide funding for the acquisition of CNB Bancorp, Inc. These three statutory business trusts are collectively referred herein to as "the Trusts." The Company guarantees, on a limited basis, payments of distributions on the trust preferred securities and payments on redemption of the trust preferred securities. The Trusts are variable interest entities ("VIEs") for which the Company is not the primary beneficiary, as defined by U.S. GAAP. In accordance with U.S. GAAP, the accounts of the Trusts are not included in the Company's consolidated financial statements. On January 1, 2010, the Company adopted Accounting Standards Update ("ASU") 2009-17, Consolidations: Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities ("Topic 810"), which had no impact on the Company's financial statements.

As of March 31, 2010, the Trusts had the following issues of trust preferred debentures, all held by the Trusts, outstanding (dollars in thousands):

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

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

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

Note 8. Fair Value Measurements and Fair Value of Financial Instruments

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

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

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

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

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

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

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

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

For the three months ended March 31, 2010, the Company has made no transfers of assets between Level 1 and Level 2, and has had no Level 3 activity.

The following tables set 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 March 31, 2010
Assets:				
Securities Available for Sale:				
U.S. Treasury	$ 20,141	$ -	$ -	$ 20,141
Federal Agency	-	356,533	-	356,533
State & municipal	-	140,529	-	140,529
Mortgage-backed	-	261,068	-	261,068
Collateralized mortgage obligations	-	338,560	-	338,560
Corporate	-	20,673	-	20,673
Other securities	12,225	2,017	-	14,242
Total Securities Available for Sale	$ 32,366	$ 1,119,380	$ -	$ 1,151,746
Trading Securities	2,593	-	-	2,593
Total	$ 34,959	$ 1,119,380	$ -	$ 1,154,339

	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, 2009
Assets:				
Securities Available for Sale:				
U.S. Treasury	$ 20,086	$ -	$ -	$ 20,086
Federal Agency	-	313,157	-	313,157
State & municipal	-	137,613	-	137,613
Mortgage-backed	-	280,861	-	280,861
Collateralized mortgage obligations	-	330,711	-	330,711
Corporate	-	20,674	-	20,674
Other securities	11,654	2,002	-	13,656
Total Securities Available for Sale	$ 31,740	$ 1,085,018	$ -	$ 1,116,758
Trading Securities	2,410	-	-	2,410
Total	$ 34,150	$ 1,085,018	$ -	$ 1,119,168

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

U.S. GAAP require disclosure of assets and liabilities measured and recorded at fair value on a nonrecurring basis such as goodwill, loans held for sale, other real estate owned, lease residuals, collateral-dependent impaired loans, mortgage servicing rights, and held-to-maturity securities. The only nonrecurring fair value measurement recorded during the three month period ended March 31, 2010 was related to impaired loans. During the three month period ended March 31, 2010, the Company established specific reserves of approximately $0.2 million, which were included in the provision for loan and lease losses for the respective period. The Company uses the fair value of underlying collateral to estimate the specific reserves for collateral dependent impaired loans. Based on the valuation tech niques used, the fair value measurements for collateral dependent impaired loans are classified as Level 3.

The following table sets forth information with regard to estimated fair values of financial instruments at March 31, 2010 and December 31, 2009:

	March 31, 2010		December 31, 2009	
(In thousands)	**Carrying amount**	**Estimated fair value**	Carrying amount	Estimated fair value
Financial assets				
Cash and cash equivalents	**$ 236,776**	**$ 236,776**	$ 187,161	$ 187,161
Securities available for sale	**1,151,746**	**1,151,746**	1,116,758	1,116,758
Securities held to maturity	**157,108**	**158,896**	159,946	161,851
Trading securities	**2,593**	**2,593**	2,410	2,410
Loans (1)	**3,637,622**	**3,624,431**	3,645,398	3,627,198
Less allowance for loan losses	**70,150**	**-**	66,550	-
Net loans	**3,567,472**	**3,624,431**	3,578,848	3,627,198
Accrued interest receivable	**21,053**	**21,053**	22,104	22,104
Financial liabilities				
Savings, NOW, and money market	**$ 2,408,924**	**$ 2,408,924**	$ 2,269,779	$ 2,269,779
Time deposits	**1,009,485**	**1,018,487**	1,033,278	1,041,370
Noninterest bearing	**758,770**	**758,770**	789,989	789,989
Short-term borrowings	**166,942**	**166,942**	155,977	155,977
Long-term debt	**504,590**	**504,338**	554,698	596,588
Accrued interest payable	**5,954**	**5,954**	5,814	5,814
Trust preferred debentures	**75,422**	**73,728**	75,422	73,244

(1) Lease receivables are included in the estimated fair value amounts at their carrying amounts.

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

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

Note 9. Securities

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

(In thousands)	Amortized cost	Unrealized gains	Unrealized losses	Estimated fair value
March 31, 2010				
U.S. Treasury	**$ 20,092**	**$ 49**	**$ -**	**$ 20,141**
Federal Agency	**353,878**	**3,033**	**377**	**356,534**
State & municipal	**138,424**	**2,455**	**350**	**140,529**
Mortgage-backed	**248,331**	**12,736**	**-**	**261,067**
Collateralized mortgage obligations	**329,405**	**9,155**	**-**	**338,560**
Corporate	**20,009**	**664**	**-**	**20,673**
Other securities	**11,613**	**2,657**	**28**	**14,242**
Total securities available for sale	**$ 1,121,752**	**$ 30,749**	**$ 755**	**$ 1,151,746**
December 31, 2009				
U.S. Treasury	$ 20,102	$ 5	$ 21	$ 20,086
Federal Agency	310,012	3,214	69	313,157
State & municipal	135,181	2,738	306	137,613
Mortgage-backed	269,255	11,606	-	280,861
Collateralized mortgage obligations	321,890	9,003	182	330,711
Corporate	20,011	663	-	20,674
Other securities	12,295	1,483	122	13,656
Total securities available for sale	$ 1,088,746	$ 28,712	$ 700	$ 1,116,758

In the available for sale category at March 31, 2010, federal agency securities were comprised of Government-Sponsored Enterprise (“GSE”) securities; mortgaged-backed securities were comprised of GSE securities with an amortized cost of $219.7 million and a fair value of $230.5 million and US Government Agency securities with an amortized cost of $28.7 million and a fair value of $30.5 million; collateralized mortgage obligations were comprised of GSE securities with an amortized cost of $183.0 million and a fair value of $187.1 million and US Government Agency securities with an amortized cost of $146.4 million and a fair value of $151.4 million.

In the available for sale category at December 31, 2009, federal agency securities were comprised of GSE securities; mortgaged-backed securities were comprised of GSE securities with an amortized cost of $238.8 million and a fair value of $248.7 million and US Government Agency securities with an amortized cost of $30.5 million and a fair value of $32.1 million; collateralized mortgage obligations were comprised of GSE securities with an amortized cost of $186.1 million and a fair value of $190.4 million and US Government Agency securities with an amortized cost of $135.8 million and a fair value of $140.3 million.

Others securities primarily represent marketable equity securities.

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

(In thousands)	Three months ended March 31, **2010**	2009
Proceeds from sales	$ 702	$ -
Gross realized gains	20	-
Gross realized losses	-	-
Net securities gains	$ 20	$ -

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

Securities available for sale with amortized costs totaling $1.1 billion at March 31, 2010 and December 31, 2009, were pledged to secure public deposits and for other purposes required or permitted by law. Additionally, at March 31, 2010 and December 31, 2009, securities available for sale with an amortized cost of $195.2 million and $178.0 million, respectively, were pledged as collateral for securities sold under repurchase agreements.

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

(In thousands)	**Amortized cost**	**Unrealized gains**	**Unrealized losses**	**Estimated fair value**
March 31, 2010				
Mortgage-backed	**$ 1,983**	**$ 196**	**$ -**	**$ 2,179**
State & municipal	**155,125**	**1,595**	**3**	**156,717**
Total securities held to maturity	**$ 157,108**	**$ 1,791**	**$ 3**	**$ 158,896**
December 31, 2009				
Mortgage-backed	$ 2,041	$ 172	$ -	$ 2,213
State & municipal	157,905	1,736	3	159,638
Total securities held to maturity	$ 159,946	$ 1,908	$ 3	$ 161,851

At March 31, 2010 and December 31, 2009, all of the mortgaged-backed securities held to maturity were comprised of US Government Agency securities.

The following table sets forth information with regard to investment securities with unrealized losses at March 31, 2010 and December 31, 2009:

	Less than 12 months			12 months or longer			Total		
Security Type:	Fair Value	Unrealized losses	Number of Positions	Fair Value	Unrealized losses	Number of Positions	Fair Value	Unrealized losses	Number of Positions
March 31, 2010									
U.S. Treasury	$ -	$ -		$ -	$ -		$ -	$ -	-
Federal agency	90,499	(377)	9	-	-	-	90,499	(377)	9
State & municipal	9,471	(82)	18	9,630	(271)	37	19,101	(353)	55
Mortgage-backed	-	-	-	-	-	-	-	-	-
Collateralized mortgage obligations	-	-	-	-	-	-	-	-	-
Other securities	-	-	-	52	(28)	1	52	(28)	1
Total securities with unrealized losses	$ 99,970	$ (459)	27	$ 9,682	$ (299)	38	$ 109,652	$ (758)	65
December 31, 2009									
U.S. Treasury	$ 20,022	$ (21)	2	$ -	$ -	-	$ 20,022	$ (21)	2
Federal agency	29,931	(69)	3	-	-	-	29,931	(69)	3
State & municipal	7,121	(40)	13	9,629	(269)	33	16,750	(309)	46
Mortgage-backed	-	-	-	-	-	-	-	-	-
Collateralized mortgage obligations	51,882	(124)	4	33,235	(58)	2	85,117	(182)	6
Other securities	4,900	(93)	1	52	(29)	1	4,952	(122)	2
Total securities with unrealized losses	$ 113,856	$ (347)	23	$ 42,916	$ (356)	36	$ 156,772	$ (703)	59

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

In estimating other-than-temporary impairment losses, management considers, among other things, (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near-term prospects of the issuer, and (iii) the historical and implied volatility of the fair value of the security.

Management has the intent to hold the securities classified as held to maturity until they mature, at which time it is believed the Company will receive full value for the securities. Furthermore, as of March 31, 2010, management also had the intent to hold, and will not be required to sell, the securities classified as available for sale for a period of time sufficient for a recovery of cost, which may be until maturity. The unrealized losses are due to increases in market interest rates over the yields available at the time the underlying securities were purchased. When necessary, the Company has performed a discounted cash flow analysis to determine whether or not it will receive the contractual principal and interest on certain securities. The fair value is expected to recover as the bonds approach their matur ity date or repricing date or if market yields for such investments decline. As of March 31, 2010, management believes the impairments detailed in the table above are temporary and no other-than-temporary impairment losses have been realized in the Company's consolidated statements of income.

The following tables set forth information with regard to contractual maturities of debt securities at March 31, 2010:

(In thousands)	Amortized cost	Estimated fair value
Debt securities classified as available for sale		
Within one year	$ 26,880	$ 27,137
From one to five years	384,741	387,007
From five to ten years	274,950	286,879
After ten years	423,568	436,481
	$ 1,110,139	$ 1,137,504
Debt securities classified as held to maturity		
Within one year	$ 97,134	$ 97,153
From one to five years	38,342	39,376
From five to ten years	16,919	17,457
After ten years	4,713	4,910
	$ 157,108	$ 158,896

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 March 31, 2010.

NBT BANCORP INC. AND SUBSIDIARIES
Item 2 -- MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The purpose of this discussion and analysis is to provide a concise description of the financial condition and results of operations of NBT Bancorp Inc. and its wholly owned consolidated subsidiaries, NBT Bank, N.A. (the “Bank”), NBT Financial Services, Inc. (“NBT Financial”), and NBT Holdings, Inc. (“NBT Holdings”) (collectively referred to herein as the “Company”). This discussion will focus on results of operations, financial condition, capital resources and asset/liability management. Reference should be made to the Company's consolidated financial statements and footnotes thereto included in this Form 10-Q as well as to the Company's Annual Report on Form 10-K for the year ended December 31, 2009 for an understanding of the following discussion and analysis. Operating resu lts for the three month period ended March 31, 2010 are not necessarily indicative of the results of the full year ending December 31, 2010 or any future period.

Forward-looking Statements

Certain statements in this filing and future filings by the Company with the Securities and Exchange Commission, in the Company’s press releases or other public or shareholder communications, contain forward-looking statements, as defined in the Private Securities Litigation Reform Act. These statements may be identified by the use of phrases such as “anticipate,” “believe,” “expect,” “forecasts,” “projects,” “could,” or other similar terms. There are a number of factors, many of which are beyond the Company’s control, that could cause actual results to differ materially from those contemplated by the forward-looking statements. Factors that may cause actual results to differ materially from those contemplated by such forward-looking st atements include, among others, the following: (1) competitive pressures among depository and other financial institutions may increase significantly; (2) revenues may be lower than expected; (3) changes in the interest rate environment may affect interest margins; (4) general economic conditions, either nationally or regionally, may be less favorable than expected, resulting in, among other things, a deterioration in credit quality and/or a reduced demand for credit; (5) legislative or regulatory changes, including changes in accounting standards or tax laws, may adversely affect the businesses in which the Company is engaged; (6) competitors may have greater financial resources and develop products that enable such competitors to compete more successfully than the Company; (7) adverse changes may occur in the securities markets or with respect to inflation; (8) acts of war or terrorism; (9) the costs and effects of litigation and of unexpected or adverse outcomes in such litigation; (10) internal control f ailures; and (11) the Company’s success in managing the risks involved in the foregoing.

The Company cautions readers not to place undue reliance on any forward-looking statements, which speak only as of the date made, and advises readers that various factors, including those described above and other factors discussed in the Company’s annual and quarterly reports previously filed with the Securities and Exchange Commission, could affect the Company’s financial performance and could cause the Company’s actual results or circumstances for future periods to differ materially from those anticipated or projected.

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

Critical Accounting Policies

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

Management of the Company considers the accounting policy relating to pension accounting to be a critical accounting policy. Management is required to make various assumptions in valuing its pension assets and liabilities. These assumptions include the expected rate of return on plan assets, the discount rate, and the rate of increase in future compensation levels. Changes to these assumptions could impact earnings in future periods. The Company takes into account the plan asset mix, funding obligations, and expert opinions in determining the various rates used to estimate pension expense. The Company also considers relevant indices and market interest rates in setting the appropriate discount rate. In addition, the Company reviews expected inflationary and merit increases to compensation in determining the rate of increase in future c ompensation levels.

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

Overview

Significant factors management reviews to evaluate the Company's operating results and financial condition include, but are not limited to: net income and earnings per share, return on assets and equity, net interest margin, noninterest income, operating expenses, asset quality indicators, loan and deposit growth, capital management, liquidity and interest rate sensitivity, enhancements to customer products and services, technology advancements, market share and peer comparisons. The following information should be considered in connection with the Company's results for the first three months of 2010:

· The Company experienced a 2.3% growth in average earning assets for the three months ending March 31, 2010 as compared with the three months ending March 31, 2009, due primarily to increases in average short-term interest bearing accounts and average securities held to maturity. However, as a result of this excess liquidity, our Federal Funds sold position had a negative impact of 12 basis points ("bp") on our net interest margin for the three months ended March 31, 2010 as compared to the three months ended March 31, 2009.

· The Company continues to strategically focus on noninterest income initiatives. Retirement plan administration fees increased approximately 37% for the three months ended March 31, 2010 as compared with the same period in 2009 due to new business from Epic Advisors, Inc., a full-service 401(k) plan recordkeeping firm. In addition, trust income increased approximately $0.4 million for the three months ended March 31, 2010 as compared to the same period in 2009 as a result of an increase in fair value of trust assets under administration.

- Pension expenses decreased by approximately $0.8 million for the first quarter of 2010 as compared with the first quarter of 2009, due in large part to the increase in the expected return on pension plan assets.

- The Company continues to make strategic investments into new markets in an effort to position itself for future growth. In February 2010, the Company opened an office in Queensbury, NY, continuing our expansion into the Glens Falls, NY region. The Company also has plans for 2010 to open a financial center and branch office in Schenectady, NY and branch office in Williston, VT.

- The Company recorded a provision for loan and lease losses of $9.2 million during the first quarter of 2010 compared with $6.5 million during the first quarter of 2009. This increase was due primarily to the increase in the required level of allowance to loan and lease losses as a result of consistent application of the Company's migration analysis model for calculating the allowance for loan and lease losses, combined with the impacts that New York State and local economic conditions have on customers' ability to pay, collateral values and loan charge-offs. Despite the increase in the provision for loan and lease losses, several asset quality indicators have remained stable or improved. Net charge-offs to average loans and leases for the three months ended March 31, 2010 were 0.63%, compared with 0.70% for the three months ended March 31, 2009. Past due loans as a percentage of total loans has impro ved slightly to 0.87% at March 31, 2010, as compared with 0.89% at December 31, 2009 and 0.93% at March 31, 2009.

Net income per diluted share for the three months ended March 31, 2010 was $0.41 per share, as compared with $0.40 per share for the three months ended March 31, 2009. Net income for the three months ended March 31, 2010 was $14.0 million, up $0.9 million, or 6.9%, from $13.1 million for the first quarter last year. The increase in net income for the three months ended March 31, 2010 compared with the three months ended March 31, 2009 was primarily the result of increases in net interest income, trust income, and retirement plan administration income, offset by increased provision for loan and lease losses.

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

Performance Measures

For the three months ended March 31	**2010**	**2009**
Return on average assets (ROAA)	1.03%	0.99%
Return on average equity (ROAE)	11.05%	12.14%
Net Interest Margin	4.21%	4.09%

Net Interest Income

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

FTE net interest income increased $2.6 million, or 5.2%, during the three months ended March 31, 2010, compared to the same period of 2009. The increase in FTE net interest income resulted primarily from a decrease in the rate paid on interest bearing liabilities of 63 bp to 1.44% for the three months ended March 31, 2010 from 2.07% for the same period in 2009. The interest rate spread increased 18 bp during the three months ended March 31, 2010 compared to the same period in 2009. The net interest margin increased by 12 bp to 4.21% for the three months ended March 31, 2010, compared with 4.09% for the same period in 2009. For the three months ended March 31, 2010, total FTE interest income decreased $4.0 million, or 5.6% as compared with the three months ended March 31, 2009. The yield on ea rning assets for the period decreased 45 bp to 5.39% for the three months ended March 31, 2010 from 5.84% for the same period in 2009. This decrease was partially offset by an increase in average interest earning assets of $114.9 million, or 2.3%, for the three months ended March 31, 2010 when compared to the same period in 2009, principally from growth in short-term interest bearing accounts. As a result of our excess liquidity, our Federal Funds sold position had a negative impact of 12 bp on our net interest margin for the three months ended March 31, 2010.

For the quarter ended March 31, 2010, total interest expense decreased $6.6 million, or 31.0%, primarily the result of the decrease in target Fed Funds rate over the past two years, which impacts the Company's short-term borrowing, money market account and time deposit rates. Average interest bearing liabilities decreased nominally for the three months ended March 31, 2010 when compared to the same period in 2009. Total average interest bearing deposits increased $63.6 million, or 1.9%, for the three months ended March 31, 2010 when compared to the same period in 2009. The rate paid on average interest bearing deposits decreased 67 bp from 1.69% for the three months ended March 31, 2009 to 1.02% for the same period in 2010. For the three months ended March 31, 2010, the Company experien ced a shift in its deposit mix from time deposits to money market deposit accounts and NOW accounts. Average time deposit accounts decreased approximately $314.8 million, or 23.5%, for the three months ended March 31, 2010 when compared to the same period in 2009, while money market accounts and NOW accounts collectively increased approximately $323.7 million, or 21.7%.

Total average borrowings, including trust preferred debentures, decreased $96.1 million, or 11.2%, for the three months ended March 31, 2010 compared with the same period in 2009. Average short-term borrowings increased by $8.9 million, or 5.9%, from $148.4 million for the three months ended March 31, 2009 to $157.3 million for the three months ended March 31, 2010. Average long-term debt decreased $104.9 million, or 16.6%, for the three months ended March 31, 2010, compared with the same period in 2009. The rate paid on long-term debt decreased to 3.90% for the three months ended March 31, 2010, from 3.98% for the same period in 2009. As a result of the decrease in the average balance and rate paid on long-term debt, interest paid on long-term debt decreased $1.1 million, or 18.3%, for the t hree months ended March 31, 2010 as compared to the same period in 2009.

Average Balances and Net Interest Income

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

Three months ended March 31, (dollars in thousands)	Average Balance	2010 Interest	Yield/ Rates	Average Balance	2009 Interest	Yield/ Rates
ASSETS						
Short-term interest bearing accounts	$ 124,018	$ 67	0.22%	$ 2,684	$ 13	1.96%
Securities available for sale (1)(excluding unrealized gains or losses)	1,088,604	10,781	4.02%	1,089,512	13,114	4.88%
Securities held to maturity (1)	155,800	1,714	4.46%	138,700	1,861	5.44%
Investment in FRB and FHLB Banks	34,728	529	6.17%	38,852	349	3.64%
Loans and leases (2)	3,640,137	53,880	6.00%	3,658,682	55,626	6.17%
Total interest earning assets	$ 5,043,287	$ 66,971	5.39%	$ 4,928,430	$ 70,963	5.84%
Other assets	446,257			423,046		
Total assets	$ 5,489,544			$ 5,351,476		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Money market deposit accounts	$ 1,093,986	$ 1,896	0.70%	$ 942,223	$ 3,109	1.34%
NOW deposit accounts	722,179	822	0.46%	550,241	786	0.58%
Savings deposits	532,677	193	0.15%	478,033	210	0.18%
Time deposits	1,027,343	5,543	2.19%	1,342,097	9,734	2.94%
Total interest bearing deposits	$ 3,376,185	$ 8,454	1.02%	$ 3,312,594	$ 13,839	1.69%
Short-term borrowings	157,255	124	0.32%	148,448	147	0.40%
Trust preferred debentures	75,422	1,027	5.52%	75,422	1,086	5.84%
Long-term debt	526,326	5,065	3.90%	631,238	6,197	3.98%
Total interest bearing liabilities	$ 4,135,188	$ 14,670	1.44%	$ 4,167,702	$ 21,269	2.07%
Demand deposits	759,533			680,835		
Other liabilities	81,649			66,254		
Stockholders' equity	513,174			436,685		
Total liabilities and stockholders' equity	$ 5,489,544			$ 5,351,476		
Net interest income (FTE)		52,301			49,694	
Interest rate spread			3.95%			3.77%
Net interest margin			4.21%			4.09%
Taxable equivalent adjustment		1,500			1,582	
Net interest income		$ 50,801			$ 48,112	

(1) Securities are shown at average amortized cost

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

The following table presents changes in interest income and interest expense attributable to changes in volume (change in average balance multiplied by prior year rate), changes in rate (change in rate multiplied by prior year volume), and the net change in net interest income. The net change attributable to the combined impact of volume and rate has been allocated to each in proportion to the absolute dollar amounts of change.

Analysis of Changes in Taxable Equivalent Net Interest Income

Three months ended March 31,

	Increase (Decrease) 2010 over 2009		
(in thousands)	Volume	Rate	Total
Short-term interest bearing accounts	$ 145	$ (91)	$ 54
Securities available for sale	(11)	(2,322)	(2,333)
Securities held to maturity	1,045	(1,192)	(147)
Investment in FRB and FHLB Banks	(237)	417	180
Loans and leases	(281)	(1,465)	(1,746)
Total interest income	661	(4,653)	(3,992)
Money market deposit accounts	2,726	(3,939)	(1,213)
NOW deposit accounts	807	(771)	36
Savings deposits	111	(128)	(17)
Time deposits	(2,003)	(2,188)	(4,191)
Short-term borrowings	50	(73)	(23)
Trust preferred debentures	-	(59)	(59)
Long-term debt	(1,012)	(120)	(1,132)
Total interest expense	679	(7,278)	(6,599)
Change in FTE net interest income	$ (18)	$ 2,625	$ 2,607

Noninterest Income

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

	Three months ended March 31,	
	2010	2009
(in thousands)		
Service charges on deposit accounts	**$ 6,130**	$ 6,297
Insurance revenue	**5,245**	5,338
Trust	**1,766**	1,409
Net securities gains	**28**	-
Bank owned life insurance income	**981**	872
ATM and debit card fees	**2,367**	2,182
Retirement plan administration fees	**2,390**	1,741
Other	**1,434**	1,751
Total noninterest income	**$ 20,341**	$ 19,590

Noninterest income for the three months ended March 31, 2010 was $20.3 million, up $0.7 million or 3.8% from $19.6 million for the same period in 2009. The increase in noninterest income was due primarily to an increase in retirement plan administration fees of approximately $0.6 million for the three month period ended March 31, 2010 as compared with the three month period ended March 31, 2009 as a result of revenue growth from new business. In addition, trust income increased approximately $0.4 million for the three months ended March 31, 2010 as compared to the same period in 2009 as a result of an increase in fair value of trust assets under administration. These increases were partially offset by a decrease in other noninterest income of approximately $0.3 million due in large part to a decrease in mortgage banking activity in the first quarter of 2010 as compared with the first quarter of 2009.

Noninterest Expense

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

	Three months ended March 31,	
(in thousands)	**2010**	2009
Salaries and employee benefits	**$ 22,204**	$ 21,427
Occupancy	**4,152**	4,165
Equipment	**2,100**	2,022
Data processing and communications	**3,218**	3,295
Professional fees and outside services	**2,284**	2,722
Office supplies and postage	**1,542**	1,530
Amortization of intangible assets	**781**	813
Loan collection and other real estate owned	**1,059**	748
FDIC expenses	**1,553**	1,529
Other	**3,267**	4,054
Total noninterest expense	**$ 42,160**	$ 42,305

Noninterest expense for the three months ended March 31, 2010 was $42.2 million, down slightly from $42.3 million for the same period in 2009. Salaries and employee benefits increased $0.8 million, or 3.6%, for the three months ended March 31, 2010 compared with the same period in 2009. This increase was due primarily to increases in full-time-equivalent employees and merit increases. Loan collection and other real estate owned expenses increased approximately $0.3 million, or 41.6%, for the three month period ended March 31, 2010 as compared with the three months ended March 31, 2009. This increase was due to higher property taxes paid by the Company on collateral securing certain loans. These increases were partially offset by a decrease in other operating expenses of approximate ly $0.8 million for the three month period ended March 31, 2010, as compared with the three months ended March 31, 2009. This decrease resulted from a decline in losses incurred on lease residual asset sales during the first quarter of 2010 as compared with the first quarter of 2009. In addition, professional fees and outside services decreased by $0.4 million, or 16.1%, for the three month period ended March 31, 2010 as compared with the three months ended March 31, 2009. This decrease was due to legal fees incurred during the first quarter of 2009 related to de novo branch activity.

Income Taxes

Income tax expense for the three month period ended March 31, 2010 was $5.8 million, down from $5.9 million for the same period in 2009. The effective rates were 29.2% and 31.0% for the three month periods ended March 31, 2010 and 2009, respectively.

ANALYSIS OF FINANCIAL CONDITION

Securities

The Company classifies its securities at date of purchase as available for sale, held to maturity or trading. Held to maturity debt securities are those that the Company has the ability and intent to hold until maturity. Held to maturity securities are recorded at amortized cost. Available for sale securities are recorded at fair value. Unrealized holding gains and losses, net of the related tax effect, on available for sale securities are excluded from earnings and are reported in stockholders' equity as a component of accumulated other comprehensive income or loss. For the securities that the Company does not have the intent to sell and will not be more likely than not required to sell, the amount of the total other-than-temporary impairment related to the credit loss is re cognized in earnings and the amount of the total other-than-temporary impairment related to other factors is recognized in other comprehensive income, net of applicable taxes. Securities with an other-than-temporary impairment are generally placed on nonaccrual status. Trading securities are recorded at fair value, with net unrealized gains and losses recognized currently in income. Transfers of securities between categories are recorded at fair value at the date of transfer.

Average total earning securities increased $16.2 million, or 1.3%, for the three months ended March 31, 2010 when compared to the same period in 2009. The average balance of securities available for sale decreased nominally for the three months ended March 31, 2010 when compared to the same period in 2009. The average balance of securities held to maturity increased $17.1 million, or 12.3%, for the three months ended March 31, 2010, compared to the same period in 2009. The average total securities portfolio represents 24.7% of total average earning assets for the three months ended March 31, 2010, down slightly from 24.9% for the same period in 2009.

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

	March 31, 2010	December 31, 2009
Mortgage-backed securities:		
With maturities 15 years or less	15%	22%
With maturities greater than 15 years	5%	6%
Collateral mortgage obligations	25%	29%
Municipal securities	23%	20%
US agency notes	27%	17%
Other	5%	6%
Total	100%	100%

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

During the three months ended March 31, 2010, the Company experienced a shift from mortgage-backed securities to U.S. agency notes. As of March 31, 2010, mortgage-backed securities with maturities of 15 years or less comprised 15% of the securities portfolio as compared to 22% as of December 31, 2009. As of March 31, 2010, US agency notes comprised 27% of the Company's securities as compared to 17% as of December 31, 2009. This shift was due to the reinvestment of maturing mortgage-backed securities in GSE securities due to the current interest rate environment.

Loans and Leases

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

(In thousands)	March 31, 2010	December 31, 2009
Residential real estate mortgages	$ 607,201	$ 622,898
Commercial	588,428	581,870
Commercial real estate mortgages	744,215	718,235
Real estate construction and development	76,864	76,721
Agricultural and agricultural real estate mortgages	119,520	122,466
Consumer	850,380	856,956
Home equity	594,610	603,585
Lease financing	56,404	62,667
Total loans and leases	$ 3,637,622	$ 3,645,398

Total loans and leases decreased nominally at March 31, 2010 from December 31, 2009, and represent approximately 65.8% of assets, as compared to 66.7% of total assets at December 31, 2009. Residential real estate mortgages decreased by approximately $15.7 million, or 2.5%, from December 31, 2009 to March 31, 2010. This decrease is primarily due to sales by the Company of newly originated loans to secondary markets. Commercial real estate mortgages increased by approximately $26.0 million, or 3.6%, from December 31, 2009 to March 31, 2010.

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

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

Management considers the accounting policy relating to the allowance for loan and lease losses to be a critical accounting policy given the degree of judgment exercised in evaluating the level of the allowance required to cover credit losses in the portfolio and the material effect that such judgments can have on the consolidated results of operations.

For purposes of evaluating the adequacy of the allowance, the Company considers a number of significant factors that affect the collectibility of the portfolio. For individually analyzed loans, these factors include estimates of loss exposure, which reflect the facts and circumstances that affect the likelihood of repayment of such loans as of the evaluation date. For homogeneous pools of loans and leases, estimates of the Company's exposure to credit loss reflect a thorough current assessment of a number of factors, which could affect collectibility. These factors include: past loss experience; the size, trend, composition, and nature of the loans and leases; changes in lending policies and procedures, including underwriting standards and collection, charge-off and recovery practices; trends experienced in nonperforming and delinquent loans and leases; current economic conditions in the Company's market; portfolio concentrations that may affect loss experienced across one or more components of the portfolio; the effect of external factors such as competition, legal and regulatory requirements; and the experience, ability, and depth of lending management and staff. In addition, various regulatory agencies, as an integral component of their examination process, periodically review the Company's allowance for loan and lease losses. Such agencies may require the Company to recognize additions to the allowance based on their judgment about information available to them at the time of their examination, which may not be currently available to management.

After a thorough consideration and validation of the factors discussed above, required additions to the allowance for loan and lease losses are made periodically by charges to the provision for loan and lease losses. These charges are necessary to maintain the allowance at a level which management believes is reasonably reflective of the overall inherent risk of probable loss in the portfolio. While management uses available information to recognize losses on loans and leases, additions to the allowance may fluctuate from one reporting period to another. These fluctuations are reflective of changes in risk associated with portfolio content and/or changes in management's assessment of any or all of the determining factors discussed above. The allowance for loan and lease losses to outsta nding loans and leases at March 31, 2010 was 1.93% compared with 1.83% at December 31, 2009. Management considers the allowance for loan losses to be adequate based on evaluation and analysis of the loan portfolio.

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

Allowance For Loan and Lease Losses

	Three months ended				
(dollars in thousands)	**March 31, 2010**		March 31, 2009		
Balance, beginning of period	**$ 66,550**		$ 58,564		
Recoveries	**1,242**		1,155		
Charge-offs	**(6,885)**		(6,859)		
Net charge-offs	**(5,643)**		(5,704)		
Provision for loan losses	**9,243**		6,451		
Balance, end of period	**$ 70,150**		$ 59,311		
Composition of Net Charge-offs					
Commercial and agricultural	**$ (2,305)**	**41%**	$ (2,188)	38%	
Real estate mortgage	**(106)**	**2%**	(202)	4%	
Consumer	**(3,232)**	**57%**	(3,314)	58%	
Net charge-offs	**$ (5,643)**	**100%**	$ (5,704)	100%	
Annualized net charge-offs to average loans and leases	**0.63%**		0.63%		

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

Nonperforming Assets

(Dollars in thousands)	**March 31, 2010**		December 31, 2009	
Nonaccrual loans	**Amount**	**%**	Amount	%
Commercial and agricultural loans and real estate	**$ 25,779**	**66%**	$ 25,521	66%
Real estate mortgages	**5,741**	**15%**	6,140	16%
Consumer	**7,266**	**19%**	6,249	16%
Troubled debt restructured loans	**-**	**0%**	836	2%
Total nonaccrual loans	**38,786**	**100%**	38,746	100%
Loans 90 days or more past due and still accruing				
Commercial and agricultural loans and real estate	**-**	**0%**	59	2%
Real estate mortgages	**365**	**18%**	602	24%
Consumer	**1,642**	**82%**	1,865	74%
Total loans 90 days or more past due and still accruing	**2,007**	**100%**	2,526	100%
Total nonperforming loans	**40,793**		41,272	
Other real estate owned (OREO)	**1,989**		2,358	
Total nonperforming assets	**$ 42,782**		$ 43,630	
Total nonperforming loans to total loans and leases	**1.12%**		1.13%	
Total nonperforming assets to total assets	**0.77%**		0.80%	
Total allowance for loan and lease losses to nonperforming loans	**171.97%**		161.25%	

Loans over 60 days past due but not over 90 days past due were 0.17% of total loans as of March 31, 2010, compared to 0.15% of total loans as of December 31, 2009. In addition to nonperforming loans, the Company has also identified approximately $82.4 million in potential problem loans at March 31, 2010 as compared to $79.1 million at December 31, 2009. Potential problem loans are loans that are currently performing, but known information about possible credit problems of the borrowers causes management to have serious doubts as to the ability of such borrowers to comply with the present loan repayment terms and which may result in classification of such loans as nonperforming at some time in the future. At the Company, potential problem loans are typically defined as loans that are performing but are c lassified by the Company's loan rating system as "substandard." At March 31, 2010, potential problem loans primarily consisted of commercial real estate and commercial and agricultural loans. Management cannot predict the extent to which economic conditions may worsen or other factors which may impact borrowers and the potential problem loans. Accordingly, there can be no assurance that other loans will not become 90 days or more past due, be placed on nonaccrual, become restructured, or require increased allowance coverage and provision for loan losses.

The Company recorded a provision for loan and lease losses of $9.2 million during the first quarter of 2010 compared with $6.5 million during the first quarter of 2009. The increase in the provision for loan and lease losses for the three months ended March 31, 2010 as compared with the three months ended March 31, 2009 was due primarily to the increase in the required level of allowance to loan and lease losses as a result of consistent application of the Company's migration analysis model for calculating the allowance for loan and lease losses, combined with the impact and uncertainty that New York State and local economic conditions have on customers' ability to pay, collateral values and loan charge-offs. Net charge-offs to average loans and leases for the three months ended March 31, 2010 were 0.6 3%, compared with 0.70% for December 31, 2009. The Company's allowance for loan and lease losses increased to 1.93% of loans and leases at March 31, 2010, compared with 1.83% at December 31, 2009. Specific reserves on impaired loans totaled $2.5 million at March 31, 2010 and $2.6 million at December 31, 2009. General allocations totaled $67.6 million at March 31, 2010 and $64.0 million at December 31, 2009.

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

Deposits

Total deposits were $4.2 billion at March 31, 2010, up $84.1 million, or 2.1%, from December 31, 2009. The increase in deposits compared with December 31, 2009 was driven primarily by increases in money market accounts and NOW accounts, offset by decreases in savings, time deposits, and demand deposits.

Total average deposits for the three months ended March 31, 2010 increased $142.3 million, or 3.6%, from the same period in 2009. The Company experienced an increase in average money market accounts of $151.8 million, or 16.1%, for the three months ended March 31, 2010 compared to the same period in 2009. Average NOW accounts increased $171.9 million, or 31.2%, to $722.2 million for the three months ended March 31, 2010 from $550.2 million for the same period in 2009. Average savings accounts increased $54.6 million, or 11.4%, for the three month period ending March 31, 2010 as compared to the same period in 2009. This increase in average money market, NOW and savings accounts was primarily due to a shift from time deposit accounts due to a decline in interest rates offered on time deposits d riven by the decrease in the Fed Funds rate. Average time deposits decreased $314.8 million, or 23.5%, for the three months ended March 31, 2010 from the same period in 2009. Average demand deposit accounts increased $78.7 million, or 11.6%, for the three months ended March 31, 2010 as compared to the same period in 2009. This was due primarily to an increasing customer base, as the Company continues to expand into new markets.

Borrowed Funds

The Company's borrowed funds consist of short-term borrowings and long-term debt. Short-term borrowings totaled $166.9 million at March 31, 2010 compared to $156.0 million at December 31, 2009. The Company has been in a Fed Funds sold position since March 2009 which has decreased reliance on short-term borrowings. Long-term debt was $504.6 million at March 31, 2010, as compared to $554.7 million at December 31, 2009. This decrease was mainly due to the repayment of FHLB borrrowings. For more information about the Company's borrowing capacity and liquidity position, see the section with the title caption of "Liquidity Risk" below.

Capital Resources

Stockholders' equity of $515.5 million represented 9.3% of total assets at March 31, 2010, compared with $505.1 million, or 9.2% as of December 31, 2009.

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

As the capital ratios in the following table indicate, the Company remained “well capitalized” at March 31, 2010 under applicable bank regulatory requirements. Capital measurements are well in excess of regulatory minimum guidelines and meet the requirements to be considered well capitalized for all periods presented. Tier 1 leverage, Tier 1 capital and Total risk-based capital ratios have regulatory minimum guidelines of 3%, 4% and 8% respectively, with requirements to be considered well capitalized of 5%, 6% and 10%, respectively.

Capital Measurements	**March 31, 2010**	December 31, 2009
Tier 1 leverage ratio	8.55%	8.35%
Tier 1 capital ratio	11.59%	11.34%
Total risk-based capital ratio	12.84%	12.59%
Cash dividends as a percentage of net income	49.25%	52.14%
Per common share:		
Book value	$ 14.97	$ 14.69
Tangible book value	$ 11.06	$ 10.75

Liquidity and Interest Rate Sensitivity Management

Market Risk

Interest rate risk is the primary market risk affecting the Company. Other types of market risk, such as foreign currency exchange rate risk and commodity price risk, do not arise in the normal course of the Company’s business activities. Interest rate risk is defined as an exposure to a movement in interest rates that could have an adverse effect on the Company’s net interest income. Net interest income is susceptible to interest rate risk to the degree that interest bearing liabilities mature or reprice on a different basis than earning assets. When interest bearing liabilities mature or reprice more quickly than earning assets in a given period, a significant increase in market rates of interest could adversely affect net interest income. Similarly, when earning asse ts 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 ne t income.

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

The primary tool utilized by ALCO to manage interest rate risk is a balance sheet/income statement simulation model (interest rate sensitivity analysis). Information such as principal balance, interest rate, maturity date, cash flows, next repricing date (if needed), and current rates is uploaded into the model to create an ending balance sheet. In addition, ALCO makes certain assumptions regarding prepayment speeds for loans and leases and mortgage related investment securities along with any optionality within the deposits and borrowings.

The model is first run under an assumption of a flat rate scenario (i.e. no change in current interest rates) with a static balance sheet over a 12-month period. Two additional models are run with static balance sheets: (1) a gradual increase of 200 bp, and (2) a gradual decrease of 100 bp taking place over a 12-month period. Under these scenarios, assets subject to prepayments are adjusted to account for faster or slower prepayment assumptions. Any investment securities or borrowings that have callable options embedded into them are handled accordingly based on the interest rate scenario. The resultant changes in net interest income are then measured against the flat rate scenario.

In the declining rate scenario, net interest income is projected to decrease when compared to the forecasted net interest income in the flat rate scenario through the simulation period. The decrease in net interest income is a result of earning assets repricing downward at a faster rate than interest bearing liabilities. The inability to effectively lower deposit rates will likely reduce or eliminate the benefit of lower interest rates. In the rising rate scenarios, net interest income is projected to experience a decline from the flat rate scenario. Net interest income is projected to remain at lower levels than in a flat rate scenario through the simulation period primarily due to a lag in assets repricing while funding costs increase. The potential impact on earnings is dependent on the ability to lag deposit repricing. If short-ter m rates continue to increase, the Company expects competitive pressures will likely lead to core deposit pricing increases, which will likely continue compression of the net interest margin.

Net interest income for the next 12 months in the + 200/- 100 bp scenarios, as described above, is within the internal policy risk limits of not more than a 7.5% change in net interest income. The following table summarizes the percentage change in net interest income in the rising and declining rate scenarios over a 12-month period from the forecasted net interest income in the flat rate scenario using the March 31, 2010 balance sheet position:

Interest Rate Sensitivity Analysis

Change in interest rates (in bp points)	Percent change in net interest income
+200	(1.38%)
-100	(1.03%)

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

Liquidity Risk

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

The primary liquidity measurement the Company utilizes is called the Basic Surplus, which captures the adequacy of its access to reliable sources of cash relative to the stability of its funding mix of average liabilities. This approach recognizes the importance of balancing levels of cash flow liquidity from short- and long-term securities with the availability of dependable borrowing sources which can be accessed when necessary. At March 31, 2010, the Company's Basic Surplus measurement was 7.1% of total assets or $394 million as compared to the December 31, 2009 Basic Surplus of 6.8%, and was above the Company's minimum of 5% or $277 million set forth in its liquidity policies. Since March 2009, the Company has been in a Fed Funds sold position as a result of excess liquidity.

This Basic Surplus approach enables the Company to adequately manage liquidity from both operational and contingency perspectives. By tempering the need for cash flow liquidity with reliable borrowing facilities, the Company is able to operate with a more fully invested and, therefore, higher interest income generating securities portfolio. The makeup and term structure of the securities portfolio is, in part, impacted by the overall interest rate sensitivity of the balance sheet. Investment decisions and deposit pricing strategies are impacted by the liquidity position.

The Company's primary source of funds is the Bank. Certain restrictions exist regarding the ability of the Bank to transfer funds to the Company in the form of cash dividends. The approval of the Office of Comptroller of the Currency (OCC) is required to pay dividends when a bank fails to meet certain minimum regulatory capital standards or when such dividends are in excess of a subsidiary bank's earnings retained in the current year plus retained net profits for the preceding two years (as defined in the regulations). At March 31, 2010, approximately $76.7 million of the total stockholders' equity of the Bank was available for payment of dividends to the Company without approval by the OCC. The Bank's ability to pay dividends is also subject to the Bank being in compliance with regulatory capital req uirements. The Bank is currently in compliance with these requirements. Under the General Corporation Law of the State of Delaware, the Company may declare and pay dividends either out of its surplus or, in case there is no surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year.

At March 31, 2010 and December 31, 2009, FHLB advances outstanding totaled $480 million and $530 million, respectively. The Bank is a member of the FHLB system and had additional borrowing capacity from the FHLB of approximately $161 million at March 31, 2010 and $167 million at December 31, 2009. In addition, unpledged securities could have been used to increase borrowing capacity at the FHLB by an additional $143 million at March 31, 2010 or used to collateralize other borrowings, such as repurchase agreements. At March 31, 2010 the Bank also had additional borrowing capacity from unused collateral at the Federal Reserve of $422 million.

Recent Accounting Pronouncements

ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820), was issued in January 2010. Subtopic 820-10 has been amended to require new disclosures: (a) transfers in and out of Levels 1 and 2 should be disclosed separately including a description of the reasons for the transfers, and (b) activity in Level 3 fair value measurements shall be reported on a gross basis, including information about purchases, sales, issuances, and settlements. The amendments also clarify existing disclosures relating to disaggregated reporting, model inputs, and valuation techniques. The new disclosures are effective for us in the first quarter of 2010, except for the gross reporting of Level 3 activity which is effective beginning in the first quarter of 2011. Implementing these amendments may result in additional disclosures in our interi m and annual reports, however did not result in any additional disclosures for the period ending March 31, 2010.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Item 4. CONTROLS AND PROCEDURES

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of March 31, 2010. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2010, the Company's disclosure controls and procedures were effective.

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

PART II. OTHER INFORMATION

Item 1 – LEGAL PROCEEDINGS

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

Item 1A – RISK FACTORS

Management of the Company does not believe there have been any material changes in the risk factors that were disclosed in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 1, 2010 for the fiscal year ended December 31, 2009.

Item 2 – UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

Item 3 – DEFAULTS UPON SENIOR SECURITIES

None

Item 4 – [REMOVED AND RESERVED]

None

Item 5 – OTHER INFORMATION

None

Item 6 – EXHIBITS

3.1 Certificate of Incorporation of NBT Bancorp Inc. as amended through July 23, 2001 (filed as Exhibit 3.1 to Registrant's Form 10-K for the year ended December 31, 2008, filed on March 2, 2009 and incorporated herein by reference).

3.2 By-laws of NBT Bancorp Inc. as amended and restated through July 23, 2001 (filed as Exhibit 3.2 to Registrant's Form 10-K for the year ended December 31, 2008, filed on March 2, 2009 and incorporated herein by reference).

3.3 Certificate of Designation of the Series A Junior Participating Preferred Stock (filed as Exhibit A to Exhibit 4.1 of the Registration's Form 8-K, file Number 0-14703, filed on November 18, 2004, and incorporated herein by reference).

4.1 Specimen common stock certificate for NBT's common stock (filed as exhibit 4.3 to the Registrant's Amendment No. 1 to Registration Statement on Form S-4 filed on December 27, 2005 and incorporated herein by reference).

4.2 Rights Agreement, dated as of November 15, 2004, between NBT Bancorp Inc. and Registrar and Transfer Company, as Rights Agent (filed as Exhibit 4.1 to Registrant's Form 8-K, file number 0-14703, filed on November 18, 2004, and incorporated by reference herein).

10.1 Employment Agreement, dated May 7, 2010, by and between Sheldon Prentice and NBT Bancorp Inc.

10.2 Change in Control Agreement, dated May 7, 2010, by and between Sheldon Prentice and NBT Bancorp Inc.

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

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

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

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

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, this 10th day of May 2010.

NBT BANCORP INC.

By: /s/ Michael J. Chewens

Michael J. Chewens, CPA
Senior Executive Vice President
Chief Financial Officer

EXHIBIT INDEX

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Exhibit 10.1

EMPLOYMENT AGREEMENT

This **EMPLOYMENT AGREEMENT** (the "Agreement") is made and entered into this 7th day of May 2010, by and between F. Sheldon Prentice ("Executive") and NBT BANCORP INC., a Delaware corporation having its principal office in Norwich, New York ("NBTB")

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

WHEREAS, Executive is serving as the corporate senior vice president, and general counsel and corporate secretary of NBTB and of NBT Bank, National Association, a national banking association which is a wholly-owned subsidiary of NBTB ("NBT Bank");

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

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

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

1. Employment; Responsibilities and Duties.

(a) NBTB hereby agrees to continue to employ Executive and to cause NBT Bank and any successor organization to NBT Bank to employ Executive, and Executive hereby agrees to serve as the corporate senior vice president, general counsel and corporate secretary of NBTB and of NBT Bank and any successor organization to NBTB or NBT Bank, as applicable, during the Term of Employment (as defined in Section 2 below). During the Term of Employment, Executive shall perform all duties, and responsibilities, and have the authority as shall be set forth in the bylaws of NBTB or NBT Bank or as may otherwise be determined and assigned to him by NBTB or by NBT Bank.

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

2. Term of Employment.

(a) The term of this Agreement ("term of Employment") shall be the period commencing on the date hereof (the "Commencement Date"), and continue until the Termination Date, which shall be earliest of:

(i) January 1, 2011, provided, however, that on December 31, 2010, and each December 31st thereafter, the term of the agreement shall extend itself by one additional year;

((ii) the death of Executive;

(iii) Executive's inability to perform his duties hereunder, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months; or

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

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

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

(C) Executive's willful neglect, failure, or refusal to carry out his duties hereunder in a reasonable manner (other than any such failure resulting from disability or death or from termination by Executive for Good Reason, as hereinafter defined) after a written demand for substantial performance is delivered to Executive that specifically identifies the manner in which NBTB believes that Executive has not substantially performed his duties and Executive has not resumed substantial performance of his duties on a continuous basis within 30 days of receiving such demand;

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

(v) Executive's resignation from her position as executive vice president and human resources director other than for "Good Reason," as hereinafter defined: or.

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

(vii) Executive’s resignation for “Good Reason.”

"Good Reason" shall mean, without Executive's express written consent, reassignment of Executive to a material reduction in duties, responsibilities or position other than for "Cause," or a material decrease in the amount or level of Executive's salary or benefits from the amount or level established in section 3 hereof. Notwithstanding the foregoing, if there exists (without regard to this sentence) an event or condition that constitutes Good Reason, NBTB shall have thirty (30) days from the date on which Executive gives the written notice thereof to cure such event or condition (such notice to be given from Executive within ninety (90) days from the date the event or condition first occurs) and, if NBTB does so, such event or condition shall not constitute Good Reason hereunder. Further, an event or condition s hall cease to constitute Good Reason thirty (30) days after the end of the cure period.

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

(b) In the event that the Term of Employment shall be terminated for any reason other than that set forth in section 2(a)(vi) or 2(a)(vii) hereof, Executive shall, in consideration for Executive’s covenant not to compete and other post-termination obligations, be entitled to receive, upon the occurrence of any such event:

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

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

(c) In the event that the Term of Employment shall be terminated for the reasons set forth in section 2(a)(vi) or 2(a)(vii) hereof, and upon execution of a Separation Agreement and Release in substantially the form attached hereto, which shall be incorporated by reference into this Agreement and become a part hereof, Executive shall be entitled to receive the following:

(i) any salary payable pursuant to section 3(a)(i) hereof which shall have accrued as of the Termination Date, and, for a one year period, salary payable at the rate established pursuant to section 3(a)(i) hereof, on a monthly basis;

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

(d) Regulatory Limits. Notwithstanding any other provision in this Agreement NBTB may terminate or suspend this Agreement and the employment of Executive hereunder, as if such termination were for Cause, to the extent required by the applicable federal or state statue related to banking, deposit insurance or bank or savings institution holding companies or by regulations or orders issued by the Office of the Controller of the Currency, the Federal Deposit Insurance Corporation or any other state or federal banking regulatory agency having jurisdiction over NBT Bank or NBTB, and no payment shall be required to be made to or for the benefit of Executi ve under this Agreement to the extent such payment is prohibited by applicable law, regulation or order issued by a banking agency or a court of competent jurisdiction; provided, that it shall be NBTB's burden to prove that any such action was so required

(e) Any provision of this section 2 to the contrary notwithstanding, in the event that the employment of Executive with NBTB is terminated in any situation described in section 3 of the change-in-control letter agreement dated May 7, 2010, between NBTB and Executive (the "Change-in-Control Agreement") so as to entitle Executive to a severance payment and other benefits described in section 3 of the Change-in-Control Agreement, then Executive shall be entitled to receive the following, and no more, under this section 2:

(i) compensation and benefits earned or accrued through the Termination Date; and
(ii) the severance payment and other benefits provided in the Change-in-Control Agreement.

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

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

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

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

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

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

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

(a) Base Salary. During the Term of Employment:

(i) NBTB shall pay Executive a salary which, on an annual basis, shall be two hundred fifty thousand ($250,000) commencing on April 26, 2010. Salary commencing on January 1, 2010 will be negotiated between Executive and the Chief Executive Officer of NBTB based on recommendations from the Compensation and Benefits Committee and in line with compensation for comparable positions in companies of similar size and structure, but in no case less than $250,000. Salary shall be payable in accordance with the normal payroll practices of NBTB with respect to executive personnel as presently in effect or as they may be modified by NBTB from time to time.

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

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

(c) Equity Awards. Executive will be eligible for awards under NBTB's Omnibus Incentive Plan as applicable to officers of Executive's rank.

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

(e) Withholding. All compensation to be paid to Executive hereunder shall be subject to applicable federal, state, and local taxes and all other required withholdings. Executive hereby acknowledges and agrees that he is responsible for all taxes in connection with any benefits, fringe benefits, or perquisites provided under this Agreement. Executive is not entitled to any gross up payment for any taxes to which Executive may be subject.

(f) Expenses. During the Term of Employment, Executive shall be reimbursed for reasonable travel and other expenses incurred or paid by Executive in connection with the performance of her services under this Agreement, upon presentation of expense statements or vouchers or such other supporting information as may from time to time be requested by NBTB, in accordance with such policies of NBTB as are in effect as of the date hereof and as may be modified by NBTB from time to time, under such terms as may be applicable to officers of Executive's rank employed by NBTB or its affiliates. All expenses or other reimbursements under this Agreement shall be made on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by Executive (provided that if any such reimbursements constitute taxable income to Executive, such reimbursements shall be paid no later than March 15th of the calendar year following the calendar year in which the expenses to be reimbursed were incurred), and no such reimbursement or expenses eligible for reimbursement in any taxable year shall in any way affect the expenses eligible for reimbursement in any other taxable year.

4. <u>Confidential Business Information; Non-Competition.</u>

(a) Executive acknowledges that certain business methods, creative techniques, and technical data of NBTB and its affiliates and the like are deemed by NBTB to be and are in fact confidential business information of NBTB, NBT Bank or any of their affiliates or are entrusted to third parties. Such confidential information includes but is not limited to procedures, methods, sales relationships developed while in the service of NBTB, or its affiliates, knowledge of customers and their requirements, marketing plans, marketing information, studies, forecasts, and surveys, competitive analyses, mailing and marketing lists, new business proposals, lists of vendors, consultants, and other persons who render service or pr ovide material to NBTB or NBT Bank or their affiliates, and compositions, ideas, plans, and methods belonging to or related to the affairs of NBTB or NBT Bank or their affiliates (collectively, “Confidential Information”). In this regard, NBTB asserts proprietary rights in all of its Confidential Information and that of its affiliates, except for such information as is clearly in the public domain. Notwithstanding the foregoing, information that would be generally known or available to persons skilled in Executive's fields shall be considered to be "clearly in the public domain" for the purposes of the preceding sentence. Executive acknowledges that in connection with is employment with NBTB, Executive has had or may have access to such Confidential Information, and he agrees that he will not disclose or divulge to any third party, except as may be required by his duties hereunder, by law, regulation, or order of a court or government authority, or as directed by NBTB, nor s hall he use to the detriment of NBTB or its affiliates or use in business or on behalf of any business competitive with or substantially similar to any business of NBTB or its affiliates, any Confidential Information obtained during the course of his employment by NBTB. In the event that disclosure is required by law, regulation, or order of a court or government authority, Executive agrees that as soon as practical and in any event no later than 30 days after receiving notice that Executive us required to make such disclosure, Executive will provide notice to the Company of such requirement by law, regulation, order of a court or government authority. This Section 4(a) shall not be construed as restricting Executive from disclosing such information to the employees of NBTB, NBT Bank or their affiliates. On or before the Termination Date, Executive shall promptly deliver to NBTB any and all Confidential Information in his possession, whether tangible, electronic or intangible form.

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

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

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

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

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

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

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

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

6. Representations and Warranties.

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

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

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

If to NBTB:

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

Attention: Chief Executive Officer

With a required copy (which shall not constitute notice) to:

Stuart G. Stein, Esq.
Hogan & Hartson L.L.P.
555 13th Street, N.W.
Washington, D.C. 20004-1109
Fax: (202) 637-5910

If to Executive:

Mr. F. Sheldon Prentice
35 Woodrow Avenue
Montpelier, VT 05602

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

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

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

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

11. Illegality; Severability.

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

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

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

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

12. 409A Compliance. The intent of the parties is that payments and benefits under this Agreement comply with Code Section 409A and the regulations and guidance promulgated thereunder and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. In no event whatsoever shall NBTB be liable for any additional tax, interest of penalty that may be imposed on Executive by Code Section 409A or damages for failing to comply with Code Section 409A. Notwithstan ding any other provision of this Agreement to the contrary, in no event shall any payment under this Agreement that constitutes “deferred compensation” for purposes of Code Section 409A be subject to offset, counterclaim or recoupment by any other amount payable to the Executive unless otherwise permitted by Code Section 409A.

13. Arbitration. Subject to the right of each party to seek specific performance (which right shall not be subject to arbitration), if a dispute arises out of or is in any way related to this Agreement or the asserted breach thereof, such dispute shall be referred to arbitration before the American Arbitration Association the (“AAA”) pursuant to the AAA’s National Rules for the Resolution of Employment Disputes (the “Arbitration Rules”). A dispute subject to the provisions of this section will exist if either party notifies the other party in writing that a dispute subject to arbitration exists and states, with reasonable specificity, the issue subject to arbitration (the "Arbitration Notice"). The parties agree that, after the issuance of the Arbitration Notice, the parties will try in good faith between the date of the issuance of the Arbitration Notice and the date the dispute is set for arbitration to resolve the dispute by mediation in accordance with the Arbitration Rules. If the dispute is not resolved by the date set for arbitration, then any controversy or claim arising out of this Agreement or the asserted breach hereof shall be resolved by binding arbitration and judgment upon any award rendered by arbitrator(s) may be entered in a court having jurisdiction. In the event any claim or dispute involves an amount in excess of $100,000, either party may request that the matter be heard and resolved by a single arbitrator. The arbitrator shall have the same power to compel the attendance of witnesses and to order the production of documents or other materials and to enforce discovery as could be exercise d by a United States District Court judge sitting in Chenango County, New York. In the event of any arbitration, each party shall have a reasonable right to conduct discovery to the same extent permitted by the Federal Rules of Civil Procedure, provided that discovery shall be concluded within 90 days after the date the matter is set for arbitration. The arbitrator or arbitrators shall have the power to award reasonable attorneys’ fees to the prevailing party. Any provisions in this Agreement to the contrary notwithstanding, this section shall be governed by the Federal Arbitration Act and the parties have entered into this Agreement pursuant to such Act.

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

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

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

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

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

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

NBT BANCORP INC.

By: /s/ Martin A. Dietrich
Martin A. Dietrich
President and
Chief Executive Officer

F. SHELDON PRENTICE

/s/ F. Sheldon Prentice

SEPARATION AGREEMENT AND RELEASE

I. In consideration of receipt and acceptance of the separation payments described in the Employment Agreement and listed on Appendix A between NBT BANCORP INC. ("NBTB") and F. Sheldon Prentice ("Executive"), dated May 7, 2010 (the "Employment Agreement"), into which this Separation Agreement and Release ("Separation Agreement") is incorporated by reference, Executive, on behalf of himself and his agents, heirs, executors, administrators, successors, and assigns, unconditionally and generally releases NBTB and NBT Bank, National Association ("NBT Bank"), their respective current and former owne rs, officers, directors, parents, affiliates, subsidiaries, related entities, agents and employees, and the heirs, executors, administrators, successors and assigns of all of the foregoing (collectively, "Releasee"), from or in connection with, and Executive hereby waives and/or settles, with prejudice, any and all complaints, causes of action, suits, controversies, or any liability, claims, demands, or damages, known or unknown and of any nature whatsoever and which Executive ever had, now has or shall or may have as of [ ], the date of this Separation Agreement including without limitation, those arising directly or indirectly pursuant to or out of any aspect of Executive's employment or termination from employment with NBTB, NBT Bank or any other Releasee.

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

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

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

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

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

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

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

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

X. Executive agrees and acknowledges that:

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

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

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

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

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

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

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

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

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

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

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

______________________________ Date ______________________________

F. Sheldon Prentice

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

On the ____ day of _________, 20__, personally came F. Sheldon Prentice and being duly sworn, acknowledged that he is the person described in and who executed the foregoing Separation Agreement and acknowledged that he executed same.

____

Notary Public

NBT BANCORP, INC.

By: _________________________ Date: _________________________

Title: _________________________

Appendix A

[Separation Payments]

Exhibit 10.2

May 7, 2010

Mr. F. Sheldon Prentice
35 Woodrow Avenue
Montpelier, VT 05602

Dear Mr. Prentice:

NBT Bancorp Inc. (which, together with its wholly-owned subsidiary, NBT Bank, National Association, is referred to as the "Company") considers the stability of its key management group to be essential to the best interests of the Company and its shareholders. The Company recognizes that, as is the case with many publicly-held corporations, the possibility of a change in control may arise and that the attendant uncertainty may result in the departure or distraction of key management personnel to the detriment of the Company and its shareholders.

Accordingly, the Board of Directors of the Company (the "Board") has determined that appropriate steps should be taken to encourage members of the Company's key management group to continue as employees notwithstanding the possibility of a change in control of the Company.

The Board also believes it important that, in the event of a proposal for transfer of control of the Company, you be able to assess the proposal and advise the Board without being influenced by the uncertainties of your own situation.

In order to induce you to remain in the employ of the Company, this agreement (the “Agreement”), sets forth the severance compensation which the Company agrees will be provided to you in the event your employment with the Company is terminated subsequent to a “change in control” of the Company under the circumstances described below.

1. Agreement to Provide Services; Right to Terminate.

(a) Termination Prior to Certain Offers. Except as otherwise provided in paragraph (b) below, or in any written employment agreement between you and the Company, the Company or you may terminate your employment at any time. If, and only if, such termination occurs after a "change in control of the Company" (as defined in section 6), the provisions of this Agreement regarding the payment of severance compensation and benefits shall apply. A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termina tion of employment unless such termination is also a “separation from service” within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) and, for purposes of any such provision of this Agreement, references to a “termination,” “termination of employment” or like terms shall mean “ separation from service”.

(b) Termination Subsequent to Certain Offers. In the event a tender offer or exchange offer is made by a "person" (as defined in section 6) for more than 30 percent of the combined voting power of the Company's outstanding securities ordinarily having the right to vote at elections of directors ("Voting Securities"), including shares of common stock, no par value, of the Company (the "Company Shares"), you agree that, notwithstanding the terms of any written employment agreement you may have with the Company, you will not leave the employ of the Company (other than as a result of Disability as such term is defined in section 6) and will render services to the Company in the capacity in which you then serve until such tender offer or exchange offer has been abandoned or terminated or a change in control of the Company has occurred as a result of such tender offer or exchange offer. If, during the period you are obligated to continue in the employ of the Company pursuant to this section 1(b), the Company reduces your compensation, terminates your employment without Cause, or you provide written notice of your decision to terminate your employment for Good Reason (all as defined herein), your obligations under this section 1(b) shall thereupon terminate and you will be entitled to payments provided under Section 3(b).

2. Term of Agreement. This Agreement shall commence on the date hereof and shall continue in effect until May 7, 2012; provided, however, that commencing May 7, 2012 and each May 7th thereafter, the remaining term of this Agreement shall automatically be extended for one additional year 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 s hall automatically be extended for 24 months from the date the change in control of the Company occurs. This Agreement shall terminate if you or the Company terminates your employment for any reason, including any reasons provided for under the terms of any written employment agreement you may have with the Company, prior to a change in control of the Company but without prejudice to any remedy the Company may have for breach of your obligations, if any, under section 1(b).

3. Severance Payment and Benefits If Termination Occurs Following Change in Control for Disability, Without Cause, With Good Reason Within 24 Months of the Change 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 t o receive your full base salary at the rate then in effect until your employment is terminated by the Company for Disability.

(b) Termination Without Cause or With Good Reason Within 24 Months of Change in Control or Without Good Reason within 12 Months of the Change in Control. If your employment with the Company is terminated without Cause by the Company or with Good Reason by you within 24 months of a change in control, or by you within 12 months of a change in control of the Company without Good Reason, then in consideration for your covenant not to compete and other post-termination obligations, then the Company shall pay to you, upon demand, the following amounts (net of applicable payroll taxes and other required withholding):

(i) Your full base salary through the Date of Termination at the rate in effect on the date the change in control of the Company occurs plus year-to-date accrued vacation.

(ii) As severance pay, an amount equal to the product of 2 multiplied by the amount of your Base Salary. As used in this subsection 3(b)(ii), “Base Salary” means your base rate of annual compensation excluding 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 similar 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 two years after the Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, certain noncash employee benefit plans, programs, or arrangements (including, without limitation, pension and retirement plans and arrangements, life insurance and health, dental and vision plans, but excluding disability or accidental death and dismemberment insurance) in which you were entitled to participate immediately prior to the Date of Termination, as in effect at the Date of Termination, or, if more favorable to you and, if applicable, your spouse and family, as in effect generally at any time thereafter with respect to executive employees of the Company or any successor; provided that your continued eligibility for and participation in such plans, programs, and arrangements is possible after Termination under the general terms and provisions of such plans, programs, and arrangements; provided, however, that if you become eligible to participate in a benefit plan, program, or arrangement of another employer which confers substantially similar benefits upon you, you shall cease to receive benefits under this subsection in respect of such plan, program, or arrangement; provided, further, that for health benefits that extend beyond the COBRA limitation period, the Company shall pay you a lump sum equal to the benefits that you would have received under this Section 3(c) without regard to such limitation, and (ii) your benefit under any retirement plans maintained by the Company in which you are a participant shall be fully vested upon such termination of your employment and paid in a lump sum, and your benefit under such agreement or plan shall be determined as if you had continued to be employed by the Company for two 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 your Base Salary. In the event that your participation in any such plan, program, or arrangement is not possible after Termination under the general terms and provisions of such plans, programs, and arrangements, the Company shall arrange to provide you with benefits substantially similar to those which you are entitled to receive under such plans, programs and arrangements or alternatively, pay an amount equal to the reasonable value of such substantially similar benefits. If, after termination of employment following a change in control of the Company, under this Section 3, you elect or, if applicable, your spouse or family elects, COBRA continuation coverage, the Company will pay the applicable COBRA premium for the maximum period during which such coverage is available. If termination follows a change in control of the Company specified in Section 6(b)(iii), then you and, if applicable, your spouse and family may elect in lieu of COBRA continuation coverage to have the acquiring entity obtain an individual or group health insurance coverage and the acquiring entity will pay premiums thereunder for the maximum period during which you and, if applicable, your spouse and family could have elected to receive COBRA continuation coverage.

(d) Establishment of Trust. Within five days following conclusion of a change in control of the Company, the Company shall establish a trust that conforms in all regards with the model trust published in Revenue Procedure 92-64 and deposit an amount sufficient to satisfy all liabilities of the Company under Section 3(b) of this Agreement.

(e) Installment Payout. The amounts described in this subsection will be paid to you in equal annual payments over a period which is equal to the multiple of your annualized salary or compensation that is used to determine the amount of the severance pay with the first payment to be made within 30 days of your termination and the subsequent payments, if any, to be made by January 1 of each year subsequent to the year in which the first payment is made, provided that under no circumstances will two payments be made during a single tax year of the recipient.

4. Payment If Termination Occurs Following Change in Control, Because of Death, For Cause, or Without Good Reason and not within 12 Months of the Change in Control. If your employment shall be terminated following any event constituting a change in control of the Company because of your death, or by the Company for Cause, or by you other than for Good Reason and not within 12 months after a change in control of the Company, the Company shall pay you your full base salary through the Date of Termination at the rate in effect on the date the change in control of the Company occurs plus year-to-date accrued vacation. The Company shall have no further obligations to you under this Agreement.

5. No Mitigation. You shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor, except as expressly set forth herein, shall the amount of any payment provided for in this Agreement be reduced by any compensation earned by you as the result of employment by another employer after the Date of Termination, or otherwise except to the extent provided in Section 3(c) of this Agreement.

6. Definitions of Certain Terms. For the purpose of this Agreement, the terms defined in this section 6 shall have the meanings assigned to them herein.

(a) Cause. Termination of your employment by the Company for "Cause" shall mean termination because, and only because, you committed an act of fraud, embezzlement, or theft constituting a felony or an act intentionally against the interests of the Company which causes the Company material injury. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for the purpo se (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, excha nge 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 whic h the dispute is finally determined, either by mutual written agreement of the parties or by a final judgment, order, or decree of a court of competent jurisdiction (the time for appeal therefrom having expired and no appeal having been perfected). The term of this Agreement shall be extended until the Date of Termination.

(d) Disability. Termination of your employment by the Company for "Disability" shall mean termination because of your inability to perform your duties, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

(e) Good Reason. Termination by you of your employment for "Good Reason" shall mean termination based on any of the following:

(i) A change in your status or position(s) with the Company, which in your reasonable judgment, does not represent a promotion from your status or position(s) as in effect immediately prior to the change in control of the Company, or a change in your duties or responsibilities which, in your reasonable judgment, is inconsistent with such status or position(s), or any removal of you from, or any failure to reappoint or reelect you to, such position(s), except in connection with the termination of your employment for Cause or Disability or as a result of your death or by you other than for Good Reason.

(ii) A reduction by the Company in your base salary as in effect immediately prior to the change in control of the Company.

(iii) The failure by the Company to continue in effect any Plan (as hereinafter defined) in which you are participating at the time of the change in control of the Company (or Plans providing you with at least substantially similar benefits) other than as a result of the normal expiration of any such Plan in accordance with its terms as in effect at the time of the change in control of the Company, or the taking of any action, or the failure to act, by the Company which would adversely affect your continued participation in any of such Plans on at least as favorable a basis to you as is the case on the date of the change in control of the Company or which would materially reduce your benefits in the future under any of suc h 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 herewit h, except that notices of change of address shall be effective only upon receipt.

8. Successors; Binding Agreement.

(a) This Agreement shall inure to the benefit of, and be binding upon, any corporate or other successor or assignee of the Company which shall acquire, directly or indirectly, by merger, consolidation or purchase, or otherwise, all or substantially all of the business or assets of the Company. The Company shall require any such successor, by an agreement in form and substance satisfactory to you, expressly to assume and agree to perform this Agreement in the same manner and to the same extent as the Company would be required to perform if no such succession had taken place.

(b) This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If you should die while any amount would still be payable to you hereunder if you had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your devisee, legatee, or other designee or, if there is no such designee, to your estate.

9. Maximization of After-Tax Amounts. Notwithstanding any other provision of this Agreement, and notwithstanding any other agreement or formal or informal compensation plan or arrangement, if you are a “disqualified individual,” as defined in Section 280G(c) of the Internal Revenue Code of 1986, as amended (the “Code”), your right to receive any payment or benefit under this Agreement shall be limited to the extent that: (i) such payment or benefit, taking into account any other “payment in the nature of compensation” (within the meaning of Section 280G of the Code) to you or for your b enefit (“Compensation”), would cause any payment or benefit under this Agreement to be considered a “parachute payment” within the meaning of Section 280G(b)(2) of the Code as then in effect (a “Parachute Payment”) and (ii) as a result of receiving a Parachute Payment, the aggregate after-tax amount you would receive (under this Agreement and otherwise) would be less than the maximum after-tax amount that you could receive without causing any such payment or benefit to be considered a Parachute Payment. In the event that the receipt of any such payment or benefit under this Agreement, in conjunction with your other Compensation, would cause you to be considered to have received a Parachute Payment that would have the effect of decreasing the after-tax amount received by you as described in clause (ii) of the preceding sentence, then you shall have the right, in your sole discretion, to designate any payments or benefits under this Agreement, and any other Compensation, that shall be reduced or eliminated so as to avoid having the payment or benefit to you under this Agreement be deemed to be a Parachute Payment.

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

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

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

11. Miscellaneous. No provision of this Agreement may be modified, waived, or discharged unless such modification, waiver, or discharge is agreed to in a writing signed by you and the Chief Executive Officer or President of the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or of compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same, or at any prior or subsequent, time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been mad e by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction, and performance of this Agreement shall be governed by laws of the State of New York without giving effect to the principles of conflict of laws thereof.

12. Legal Fees and Expenses. The Company shall pay or reimburse any reasonable legal fees and expenses you may incur in connection with any legal action to enforce your rights under, or to defend the validity of, this Agreement, provided that you ultimately prevail on a substantial claim in connection with such action. The Company will pay or reimburse such legal fees and expenses on a regular, periodic basis upon presentation by you of a statement or statements prepared by your counsel in accordance with its usual practices. All expenses and reimbursements under this Agreement shall be made on or prior to the last day of the t axable year following the taxable year in which you incurred such expenses (provided that if any such reimbursements constitute taxable income to you, such reimbursements shall be paid no later than March 15th of the calendar year following the calendar year in which the expenses to be reimbursed were incurred), and no such reimbursement or expenses eligible for reimbursement in any taxable year shall in any way affect the expenses eligible for reimbursement in any other taxable year.

13. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

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

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

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

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

If this letter correctly sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter, which will then constitute our agreement on this subject.

Very truly yours,

NBT BANCORP INC.

By: /s/ Martin A. Dietrich
Martin A. Dietrich
President and
Chief Executive Officer

AGREED TO:

/s/ F. Sheldon Prentice
F. Sheldon Prentice

EXHIBIT 31.1

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

I, Martin A. Dietrich, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NBT Bancorp Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2010

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

EXHIBIT 31.2

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

I, Michael J. Chewens, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NBT Bancorp Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2010

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

EXHIBIT 32.1

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

The undersigned, the Chief Executive Officer of NBT Bancorp Inc. (the "Company"), hereby certifies that to his knowledge on the date hereof:

(a) the Form 10-Q of the Company for the Quarterly Period Ended March 31, 2010, filed on the date hereof with the Securities and Exchange Commission (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Martin A. Dietrich
Martin A. Dietrich
Chief Executive Officer
May 10, 2010

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

EXHIBIT 32.2

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

The undersigned, the Chief Financial Officer of NBT Bancorp Inc. (the "Company"), hereby certifies that to his knowledge on the date hereof:

(a) the Form 10-Q of the Company for the Quarterly Period Ended March 31, 2010, filed on the date hereof with the Securities and Exchange Commission (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael J. Chewens
Michael J. Chewens
Senior Executive Vice President and
Chief Financial Officer
May 10, 2010

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