

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

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the quarterly period ended March 31, 1998.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the transition period from _____ to _____.

COMMISSION FILE NUMBER 0-14703

NBT BANCORP INC.

(Exact Name of Registrant as Specified in its Charter)

DELAWARE

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) 337-6000

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 shorter periods 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

As of April 30, 1998, there were 9,429,963 shares outstanding, including 387,044 shares held in the treasury, of the Registrant's common stock, No Par, Stated Value \$1.00. There were no shares of the Registrant's preferred stock, No Par, Stated Value \$1.00, outstanding at that date.

An index to exhibits follows the signature page of this FORM 10-Q.

NBT BANCORP INC.

FORM 10-Q--Quarter Ended March 31, 1998

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NBT BANCORP INC. AND SUBSIDIARY CONSOLIDATED BALANCE SHEETS	MARCH 31, 1998	December 31, 1997	March 31, 1997
(dollars in thousands)	(UNAUDITED)	(See Notes)	(Unaudited)
ASSETS			
Cash and cash equivalents	\$ 39,708	\$ 37,446	\$ 44,968
Loans available for sale	3,652	3,286	4,289
Securities available for sale, at fair value	432,997	440,632	404,022
Securities held to maturity (fair value-\$36,034, \$36,139 and \$44,378)	36,035	36,139	44,380
Loans:			
Commercial and agricultural	339,192	326,491	296,123
Real estate mortgage	140,229	135,475	121,005
Consumer	268,965	273,516	251,681
Total loans	748,386	735,482	668,809
Less allowance for loan losses	11,984	11,582	10,677
Net loans	736,402	723,900	658,132
Premises and equipment, net	19,462	18,761	16,547
Intangible assets, net	8,352	8,642	9,616
Other assets	12,691	11,779	20,628
TOTAL ASSETS	\$1,289,299	\$1,280,585	\$1,202,582
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits:			
Demand (noninterest bearing)	\$ 125,873	\$ 138,985	\$ 104,479
Savings, NOW, and money market	359,884	358,366	360,452
Time	553,293	516,832	507,529
Total deposits	1,039,050	1,014,183	972,460
Short-term borrowings	106,563	134,527	93,283
Other borrowings	10,180	183	20,192
Other liabilities	6,642	8,349	8,791
Total liabilities	1,162,435	1,157,242	1,094,726
Commitments and contingencies			
Stockholders' equity:			
Preferred stock, no par, stated value \$1.00; shares authorized-2,500,000	-	-	-
Common stock, no par, stated value \$1.00; shares authorized-12,500,000; issued 9,429,963, 9,429,963 and 9,452,590	9,430	9,430	9,002
Capital surplus	96,915	96,494	85,233
Retained earnings	25,782	22,249	26,369
Accumulated other comprehensive income	1,786	2,373	(5,374)
Common stock in treasury at cost, 390,534, 415,871, and 439,710 shares	(7,049)	(7,203)	(7,374)
Total stockholders' equity	126,864	123,343	107,856
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$1,289,299	\$1,280,585	\$1,202,582

See notes to consolidated financial statements.

NBT BANCORP INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

Three months ended March 31,
1998 1997

(dollars in thousands, except per share data)

(Unaudited)

Interest and fee income:

Loans and loans available for sale	\$17,038	\$15,198
Securities - taxable	7,891	6,685
Securities - tax exempt	274	351
Other	53	49

Total interest and fee income 25,256 22,283

Interest expense:

Deposits	9,491	8,393
Short-term borrowings	1,675	985
Other borrowings	55	281

Total interest expense 11,221 9,659

Net interest income	14,035	12,624
Provision for loan losses	1,100	715

Net interest income after provision for loan losses 12,935 11,909

Noninterest income:

Trust	802	686
Service charges on deposit accounts	869	904
Securities gains	218	17
Other	679	413

Total noninterest income 2,568 2,020

Noninterest expense:

Salaries and employee benefits	4,687	4,351
Occupancy	686	654
Equipment	480	436
FDIC assessments	41	28
Amortization of intangible assets	291	378
Other operating	3,217	2,712

Total noninterest expense 9,402 8,559

Income before income taxes	6,101	5,370
Income taxes	1,029	1,925

NET INCOME \$ 5,072 \$ 3,445

Earnings per share:

Basic	\$ 0.56	\$ 0.39
Diluted	\$ 0.55	\$ 0.38

See notes to consolidated financial statements.

NBT BANCORP INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total

(in thousands, except per share data)				(Unaudited)		

BALANCE AT DECEMBER 31, 1996	\$8,838	\$82,731	\$24,208	\$(1,529)	\$(7,984)	\$106,264
Net income			3,445			3,445
Cash dividends - \$0.143 per share			(1,284)			(1,284)
Issuance of 164,030 shares to stock plan	164	2,476				2,640
Purchase of 52,900 treasury shares					(966)	(966)
Sale of 94,639 treasury shares to employee benefit plans and other stock plans		26			1,576	1,602
Unrealized loss on securities available for sale, net of reclassification adjustment, and deferred taxes of \$2,655				(3,845)		(3,845)

BALANCE AT MARCH 31, 1997	\$9,002	\$85,233	\$26,369	\$(5,374)	\$(7,374)	\$107,856

BALANCE AT DECEMBER 31, 1997	\$9,430	\$96,494	\$22,249	\$ 2,373	\$(7,203)	\$123,343
Net income			5,072			5,072
Cash dividends - \$0.170 per share			(1,539)			(1,539)
Purchase of 31,100 treasury shares					(835)	(835)
Sale of 56,437 treasury shares to employee benefit plans and other stock plans		421			989	1,410
Unrealized loss on securities available for sale, net of reclassification adjustment, and deferred taxes of \$405				(587)		(587)

BALANCE AT MARCH 31, 1998	\$9,430	\$96,915	\$25,782	\$ 1,786	\$(7,049)	\$126,864

See notes to consolidated financial statements.

NBT BANCORP INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

Three Months Ended March 31,
1998 1997

(dollars in thousands)	(Unaudited)	
OPERATING ACTIVITIES:		
Net income	\$ 5,072	\$ 3,445
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,100	715
Depreciation and amortization of premises and equipment	463	357
Amortization of premiums and accretion of discounts on securities	(444)	183
Amortization of intangible assets	291	378
Proceeds from sale of loans originated for sale	1,009	1,090
Loans originated for sale	(1,375)	(1,244)
Realized gains on sales of securities	(218)	(17)
(Increase) in interest receivable	(360)	(829)
Increase in interest payable	724	576
Other, net	(2,362)	487
Net cash provided by operating activities	3,900	5,141
INVESTING ACTIVITIES:		
Securities available for sale:		
Proceeds from maturities	15,080	11,217
Proceeds from sales	52,053	30,976
Purchases	(60,046)	(83,696)
SECURITIES HELD TO MATURITY:		
Proceeds from maturities	4,124	2,663
Purchases	(4,019)	(4,804)
Net increase in loans	(13,602)	(14,727)
Purchase of premises and equipment, net	(1,164)	(597)
Net cash used in investing activities	(7,574)	(58,968)
FINANCING ACTIVITIES:		
Net increase in deposits	24,867	56,141
Net increase (decrease) in short-term borrowings	(27,964)	5,039
Proceeds from issuance of other borrowings	10,000	-
Repayments of other borrowings	(3)	(3)
Common stock issued, including treasury shares reissued	1,410	4,078
Purchase of treasury stock	(835)	(966)
Cash dividends and payment for fractional shares	(1,539)	(1,284)
Net cash provided by financing activities	5,936	63,005
Net increase in cash and cash equivalents	2,262	9,178
Cash and cash equivalents at beginning of year	37,446	35,790
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$39,708	\$ 44,968
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: Cash paid during the period for:		
Interest	\$10,497	\$ 9,083
Income taxes	1,836	134

See notes to consolidated financial statements.

NBT BANCORP INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Three Months Ended March 31,
1998 1997

(dollars in thousands)

(Unaudited)

Net Income	\$5,072	\$ 3,445
Other comprehensive income, net of tax Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during period (pre-tax amounts of \$774 and \$6,484)	(458)	(3,835)
Less: Reclassification adjustment for gains included in net income (pre-tax amounts of \$218 and \$17)	(129)	(10)
Total other comprehensive income (loss)	(587)	(3,845)
Comprehensive income (loss)	\$4,485	\$ (400)

BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements include the accounts of NBT Bancorp Inc. (the Registrant) and its wholly-owned subsidiary, NBT Bank, N.A. (Bank). All intercompany transactions have been eliminated in consolidation. Certain amounts previously reported in the financial statements have been reclassified to conform with the current presentation.

The determination of the allowance for loan losses is a material estimate that is particularly susceptible to significant change in the near term. In connection with the determination of the allowance for loan losses, management obtains independent appraisals for significant properties.

Net income per common share is computed based on the weighted average number of common shares and common share equivalents outstanding during each period after giving retroactive effect to stock dividends. Cash dividends per common share are computed based on declared rates adjusted retroactively for stock dividends.

The balance sheet at December 31, 1997 has been derived from audited financial statements at that date. The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to FORM 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 1998 are not necessarily indicative of the results that may be expected for the year ending December 31, 1998. For further information, refer to the consolidated financial statements and footnotes thereto included in the Registrant's annual report on FORM 10-K for the year ended December 31, 1997.

RECENT ACCOUNTING PRONOUNCEMENTS AND DEVELOPMENTS

Effective January 1, 1998 the Company adopted the remaining provisions of Statement of Financial Accounting Standards ("SFAS") No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", which relate to the accounting for securities lending, repurchase agreements, and other secured financing activities. These provisions, which were delayed for implementation by SFAS No. 127, are not expected to have a material impact on the Company. In addition, the Financial Accounting Standards Board is considering certain amendments and interpretations of SFAS No. 125 which, if enacted in the future, could affect the accounting transactions within their scope.

On January 1, 1998, the Company adopted the provisions of SFAS No. 130, "Reporting Comprehensive Income". This statement establishes standards for the reporting and display of comprehensive income and its components. Comprehensive income includes the reported net income adjusted for items that are currently accounted for as direct entries to equity, such as the mark to market adjustment on securities available for sale, foreign currency items and minimum pension liability adjustments. At the Company, comprehensive income represents the net income plus other comprehensive income, which consists of the net change in unrealized gains or losses on securities available for sale for the period. Accumulated other comprehensive income represents the net unrealized gains or losses on securities available for sale as of the balance sheet dates.

In June 1997, the FASB issued SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information". SFAS No. 131 requires public business enterprises to report financial and other information about key revenue-producing segments of the entity for which such information is available and is utilized by the chief operating decision maker's. Specific information to be reported for individual segments includes profit or loss, certain revenue and expense items and total assets. A reconciliation of segment financial information to amounts reported in the financial statements would be provided. SFAS No. 131 is effective for periods beginning after December 15, 1997 and the impact of its adoption has not been determined.

In February 1998, the FASB issued SFAS No. 132 "Employers' Disclosures about Pensions and Other Postretirement Benefits". This statement revises employers' disclosures about pension and other post retirement benefit plans. It does not change the measurement or recognition of these plans. The statement is effective for reporting periods beginning after December 15, 1997 and will not impact the Company's financial position or results of operations.

COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of business, various commitments and contingent liabilities arise, including commitments to extend credit and standby letters of credit. Also, off balance sheet financial instruments such as interest rate swaps, forward contracts, futures, options on financial futures, and interest rate caps, collars and floors bear risk-based on financial market conditions. The following table summarizes the Registrant's exposure to these off balance sheet commitments and contingent liabilities as of March 31, 1998:

	Contractual or Notional Value at March 31, 1998
Financial instruments with off-balance sheet credit risk:	
Commitments to extend credit	\$141,280,000
Standby letters of credit	1,785,000
Financial instruments with off-balance sheet market risk	None

NBT BANCORP INC. AND SUBSIDIARY

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

The purpose of this discussion and analysis is to provide the reader with a concise description of the financial condition and results of operations of NBT Bancorp Inc. (Bancorp) and its wholly owned subsidiary, NBT Bank, N.A. (Bank) collectively referred to herein as the Company. This discussion will focus on Results of Operations, Financial Position, Capital Resources and Asset/Liability Management. Reference should be made to the Company's consolidated financial statements and footnotes thereto included in this FORM 10-Q as well as to the Company's 1997 FORM 10-K for an understanding of the following discussion and analysis. The Company has a long history of distributing stock dividends; in December 1997, a 5% stock dividend was distributed for the thirty-eighth consecutive year. Throughout this discussion and analysis, amounts per common share have been adjusted retroactively for stock dividends and splits for purposes of comparability.

On April 28, 1998, NBT Bancorp Inc. announced the declaration of a four-for-three stock split effected in the form of a dividend and a regular quarterly cash dividend of \$0.17 per share. The stock and cash dividends will be paid on June 15, 1998 to shareholders of record as of June 1, 1998. The cash dividend will be paid on the increased number of shares. Amounts per common share have not been adjusted for the prospective June 15, 1998 stock dividend. The adjustment for purposes of comparability will occur after the payment date.

In March of 1998, the Company relocated its Oxford branch to an upgraded facility on Route 12. In addition, the Company recently announced the plans to relocate two of its existing branches in the Plattsburgh market with anticipated opening dates of May 1998.

OVERVIEW

Net income of \$5.1 million (\$0.55 per diluted share) was realized in the first quarter of 1998, representing a 47.2% increase from first quarter 1997 net income of \$3.4 million (\$0.38 per diluted share). One of the major contributing factors for the increase in net income was increased net interest income. The increase in net interest income was a result of an increase in average earning assets, primarily loans and investment securities. Also contributing to the increased operating results for the first quarter of 1998 was a \$1.0 million tax benefit arising from a corporate realignment within the Company.

Table 1 depicts several measurements of performance on an annualized basis. Returns on average assets and equity measure how effectively an entity utilizes its total resources and capital, respectively. Both the return on average assets and the return on average equity ratios increased for the quarter compared to the same period a year previous.

Net interest margin, net federal taxable equivalent (FTE) interest income divided by average interest-earning assets, is a measure of an entity's ability to utilize its earning assets in relation to the interest cost of funding. Taxable equivalency adjusts income by increasing tax exempt income to a level that is comparable to taxable income before taxes are applied. The positive trend in net interest margin is critical to the improved profitability of the Company.

TABLE 1
PERFORMANCE MEASUREMENTS

	First Quarter 1997	Second Quarter 1997	Third Quarter 1997	Fourth Quarter 1997	Twelve Months 1997	FIRST QUARTER 1998
Return on average assets	1.19%	1.33%	1.17%	1.11%	1.20%	1.60%
Return on average common equity	12.82%	14.78%	12.74%	11.71%	12.97%	16.49%
Net interest margin	4.71%	4.65%	4.64%	4.68%	4.67%	4.75%

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. Table 2 represents an analysis of net interest income on a federal taxable equivalent basis.

Federal taxable equivalent (FTE) net interest income increased \$1.4 million for the first quarter of 1998 compared to the same period of 1997. This increase was primarily a result of the \$108.1 million increase in average earning assets, less the \$81.2 million increase in average interest bearing liabilities.

Total FTE interest income increased \$2.9 million over first quarter 1997. This increase is also primarily a result of the increase in average earning assets. Also contributing to the increase in interest income was a 25 basis point (0.25%) increase in the yield on average earning assets, primarily driven by a 44 basis point increase in the yield earned on the securities available for

sale portfolio. During the same time period, total interest expense increased \$1.6 million. The cost of interest bearing liabilities increased 29 basis points, as certificates of deposits and short-term borrowing costs increased. The increase in average interest bearing liabilities also contributed to the increase in overall interest expense, as certificates of deposits and short-term borrowings experienced volume increases.

Another important performance measurement of net interest income is the net interest margin. This is computed by dividing annualized FTE net interest income by average earning assets for the period. Net interest margin increased to 4.75% for first quarter 1998, up from 4.71% for the comparable period in 1997. The increase in the net interest margin is a function of the increased funding of earning assets from noninterest bearing sources.

TABLE 2
COMPARATIVE ANALYSIS OF FEDERAL TAXABLE EQUIVALENT NET INTEREST INCOME
Three months ended March 31,

ANNUALIZED YIELD/RATE		(dollars in thousands)	AMOUNTS		TOTAL	VARIANCE	
1998	1997		1998	1997		VOLUME	RATE
----	----		----	----	-----	-----	----
5.09%	4.26%	Interest bearing deposits	\$ 1	\$ 2	\$ (1)	\$ (1)	\$ -
5.51%	5.27%	Federal funds sold	1	6	(5)	(5)	-
5.44%	5.16%	Other short-term investments	51	41	10	7	3
7.15%	6.71%	Securities available for sale	7,659	6,500	1,159	711	448
7.82%	7.69%	Loans available for sale	72	82	(10)	(12)	2
		Securities held to maturity:					
7.57%	6.72%	Taxable	254	206	48	21	27
7.19%	6.64%	Tax exempt	399	518	(119)	(159)	40
9.36%	9.28%	LOANS	17,024	15,171	1,853	1,734	119

8.49%	8.24%	Total interest income	25,461	22,526	2,935	2,296	639

2.91%	2.89%	Money Market Deposit Accounts	638	678	(40)	(44)	4
1.68%	1.65%	NOW accounts	504	472	32	25	7
2.85%	2.86%	Savings accounts	1,069	1,086	(17)	(16)	(1)
5.50%	5.24%	Certificates of deposit	7,280	6,157	1,123	803	320
5.67%	4.97%	Short-term borrowings	1,675	985	690	536	154
5.33%	5.64%	OTHER BORROWINGS	55	281	(226)	(211)	(15)

4.45%	4.16%	TOTAL INTEREST EXPENSE	11,221	9,659	1,562	1,093	469

		Net interest income	\$14,240	\$12,867	\$1,373	\$1,203	\$170
=====							
4.04%	4.09%	Interest rate spread					
4.75%	4.71%	Net interest margin					
		FTE adjustment	\$ 205	\$ 243			
=====							

PROVISION AND ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is a valuation allowance established to provide for the estimated possible losses related to the collection of the Bank's loan portfolio. The allowance is maintained at a level considered adequate to provide for loan loss exposure based on management's estimate of potential future losses considering an evaluation of portfolio risk, prevailing and anticipated economic factors, and past loss experience. Management determines the provision and allowance for loan losses based on a number of factors including a comprehensive in-house loan review program conducted throughout the year. The loan portfolio is continually evaluated in order to identify potential problem loans, credit concentration, and other risk factors such as current and projected economic conditions. The allowance for loan loss to outstanding loans at March 31, 1998 and 1997 was 1.60%. Management considers the allowance for loan losses to be adequate based on evaluation and analysis of the loan portfolio.

Table 3 reflects changes to the allowance for loan loss 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 collectability of loan principal within a reasonable time is unlikely. Any recoveries of previously charged-off loans are credited directly to the allowance for loan losses. Net charge-offs for the first quarter of 1998 were \$0.7 million, or 0.38% of average loans, compared to \$0.5 million, or 0.31% of average loans for the same period of 1997. The rise in net charge-offs was concentrated in the commercial and consumer portfolios. The increase in commercial charge-offs can be attributed to two customers. Personal bankruptcies have resulted in an increase to consumer charge-offs.

TABLE 3
ALLOWANCE FOR LOAN LOSSES

(dollars in thousands)	Three months ended March 31,	
	1998	1997
Balance, beginning of period	\$11,582	\$10,473
Recoveries	188	190
Charge-offs	(886)	(701)
Net (charge-offs)	(698)	(511)
Provision for loan losses	1,100	715
Balance, end of period	\$11,984	\$10,677

COMPOSITION OF NET (CHARGE-OFFS) RECOVERIES

Commercial and agricultural	\$ (316)	45%	\$ (252)	49%
Real estate mortgage	(21)	3%	7	(1%)
Consumer	(361)	52%	(266)	52%
Net (charge-offs) recoveries	\$ (698)	100%	\$ (511)	100%
Annualized net charge-offs to average loans		0.38%		0.31%

Annualized net charge-offs to average loans for the year ended
December 31, 1997 0.34%

NONINTEREST INCOME

Table 4 below presents quarterly and period to date noninterest income. Noninterest income for the first quarter of 1998, excluding security gains, increased \$0.3 million or 17.3% when compared to first quarter 1997. Contributing to the increase in noninterest income was increases in trust and other income. Trust income continued its growth trend as managed assets have steadily increased. Other income increased as a result of increases in the loan fee, ATM and other operating categories. The increase in loan fee income is a result of loan processing income generated by increased mortgage lending activity. The increased ATM income can be attributed to greater customer use and the installation of additional machines throughout our market areas.

Security gains increased \$0.2 million for the first quarter 1998 as compared to first quarter 1997. This increase can be attributed to the change in market conditions between the two periods.

TABLE 4
NONINTEREST INCOME

(dollars in thousands)	First Quarter 1997	Second Quarter 1997	Third Quarter 1997	Fourth Quarter 1997	Twelve Months 1997	FIRST QUARTER 1998
Trust income	\$ 686	\$ 687	\$ 687	\$ 615	\$2,675	\$ 802
Deposit service charges	904	933	926	932	3,695	869
Securities gains (losses)	17	1	(90)	(265)	(337)	218
Other income	413	650	457	513	2,033	679
Total noninterest income	\$2,020	\$2,271	\$1,980	\$1,795	\$8,066	\$2,568

NONINTEREST EXPENSE AND OPERATING EFFICIENCY

Table 5 presents components of noninterest expense as well as selected operating efficiency ratios. Total noninterest expense experienced a \$0.8 million increase between the quarter ended March 31, 1998 and the same period for 1997.

Employee benefits for the first quarter ended March 31, 1998 experienced a \$0.2 million increase compared to the same period in 1997. The increase can be attributed to a rise in the accrual for executive incentive compensation based on current year's income performance.

Legal, audit, and outside services for the first quarter of 1998 experienced a \$0.4 million increase compared to the first quarter of 1997. The increase can be attributed to the outsourcing of the Company's item processing function during 1997, as well as increased audit and outside service fees associated with the corporate realignment.

Two important operating efficiency measures that the Company closely monitors are the efficiency and expense ratios. The efficiency ratio is computed as total noninterest expense (excluding nonrecurring charges) divided by net interest income plus noninterest income (excluding net security gains and losses and nonrecurring income). The efficiency ratio declined to 56.7% in the first

quarter of 1998 from 57.6% in the same period of 1997. This favorable decline was a result of the increases in net interest income and noninterest income. The expense ratio is computed as total noninterest expense (excluding nonrecurring charges) less noninterest income (excluding net security gains and losses and nonrecurring income) divided by average assets. The expense ratio declined to 2.2% for the first quarter 1998, from 2.3% for the same period of 1997. This favorable decline is a result of the increase in average assets between the reporting periods. Continuing expense control efforts have had a favorable impact on operating efficiency ratios, as both of the measures reflect.

TABLE 5
NONINTEREST EXPENSE AND PRODUCTIVITY MEASUREMENTS

(dollars in thousands)	First Quarter 1997	Second Quarter 1997	Third Quarter 1997	Fourth Quarter 1997	Twelve Months 1997	FIRST QUARTER 1998
Salaries and wages	\$3,042	\$3,150	\$3,196	\$3,248	\$12,636	\$3,170
Employee benefits	1,309	1,097	1,360	1,503	5,269	1,517
Occupancy expense	654	654	584	706	2,598	686
Equipment expense	436	408	435	421	1,700	480
FDIC assessments	28	29	30	29	116	41
Legal, audit, and outside services	930	891	1,013	1,217	4,051	1,305
Loan collection and other loan related expenses	423	375	552	474	1,824	480
Amortization of intangible assets	378	359	314	300	1,351	291
Other operating expense	1,359	1,303	1,420	1,543	5,625	1,432
Total noninterest expense	\$8,559	\$8,266	\$8,904	\$9,441	\$35,170	\$9,402
Efficiency ratio	7.56%	53.38%	55.56%	57.86%	56.09%	56.67%
Expense ratio	2.27%	2.05%	2.16%	2.30%	2.20%	2.23%
Average full-time equivalent employees	498	496	495	488	494	488
Average assets per average full-time equivalent employee (millions)	\$ 2.3	\$ 2.5	\$ 2.5	\$ 2.6	\$ 2.5	\$ 2.6

INCOME TAXES

Income tax expense was \$1.0 million for the first quarter of 1998 compared to \$1.9 million for the first quarter of 1997. The reduction in income taxes during the first quarter of 1998 can be attributed to the \$1.0 million tax benefit resulting from a corporate realignment within the Company.

The following table highlights the changes in the balance sheet. Since period end balances can be distorted by one day fluctuations, the discussion and analysis concentrates on average balances when appropriate to give a better indication of balance sheet trends.

TABLE 6
AVERAGE BALANCES

(dollars in thousands)	Three months ended March 31,	
	1998	1997
Cash and cash equivalents	\$ 37,207	\$ 35,063
Securities available for sale, at fair value	438,750	390,002
Securities held to maturity	36,162	44,082
Loans available for sale	3,743	4,346
Loans	738,012	662,818
Deposits	1,024,102	951,950
Short-term borrowings	119,746	80,351
Other borrowings	4,182	20,194
Stockholders' equity	124,700	108,980
Assets	1,281,520	1,170,072
Earning assets	1,216,253	1,108,194
Interest bearing liabilities	\$1,023,795	\$ 942,615

SECURITIES

Average total securities increased 9.4% for the first quarter of 1998 over the same period of 1997. The majority of this increase was in the available for sale portfolio. During the first quarter of 1998, the securities portfolio represented 38.7% of average earning assets. Investments are primarily U.S. Governmental agencies guaranteed securities classified as available for sale. Held to maturity securities are obligations of the State of New York political subdivisions and do not include any direct obligations of the State of New York. At March 31, 1998, the securities portfolio was comprised of 92% available for sale and 8% held to maturity securities.

LOANS

Average loan's for the first quarter of 1998 was \$75.2 million, or 11.3% greater than the first quarter 1997 average. Loan growth has been present in all major categories, with increases in the commercial, consumer and mortgage portfolios of \$39.4 million, \$19.1 million and \$16.7 million, respectively.

The company has experienced an increase in the demand for commercial loans with growth of \$12.7 million since year-end 1997, primarily in the business and real estate categories. The increase in consumer loans can be attributed to a rise in homeequity loans, primarily revolving lines of credit secured by the borrowers primary residence. The Company does not engage in highly leveraged transactions or foreign lending activities.

NONPERFORMING ASSETS AND PAST DUE LOANS

Nonperforming assets consist of nonaccrual loans and other real estate owned (OREO). 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 outstanding loan balance or fair market value, less any estimated disposal costs.

Total nonperforming assets increased \$2.4 million at March 31, 1998 compared to March 31, 1997. Increases of \$2.3 million in impaired commercial and agricultural loans and \$0.2 million in nonperforming consumer loans were partially offset by a decrease in other real estate owned of \$0.2 million. A significant portion of the increase in impaired commercial loans can be attributed to one customer. The changes in nonperforming assets are presented in Table 7 below.

At March 31, 1998, the recorded investment in impaired loans was \$4.5 million. Included in this amount is \$2.7 million of impaired loans for which the specifically allocated allowance for loan loss is \$0.4 million. In addition, included in impaired loans is \$1.8 million of impaired loans that, as a result of the adequacy of collateral values and cash flow analysis do not have a specific reserve. At December 31, 1997, the recorded investment in impaired loans was \$4.3 million, of which \$1.9 million had a specific allowance allocation of \$0.6 million and \$2.4 million for which there was no specific reserve. At March 31, 1997, the recorded investment in impaired loans was \$2.6 million, of which \$0.2 million had a specific allowance allocation of \$0.02 million and \$2.4 million of which there was no specific reserve. The Company classifies all nonaccrual loans as impaired loans, except smaller-balance homogeneous loans that are collectively evaluated for impairment.

TABLE 7
NONPERFORMING ASSETS AND RISK ELEMENTS

(in thousands)	MARCH 31, 1998		December 31, 1997		March 31, 1997	
Impaired commercial and agricultural loans	\$4,546	78%	\$3,856	73%	\$2,209	68%
Other nonaccrual loans:						
Real estate mortgage	425	7%	692	13%	400	12%
Consumer	852	15%	708	14%	649	20%
Total nonaccrual loans	5,823	100%	5,256	100%	3,258	100%
Other real estate owned	564		530		732	
Total nonperforming assets	6,387		5,786		3,990	
Loans 90 days or more past due and still accruing:						
Commercial and agricultural	515	57%	176	24%	181	29%
Real estate mortgage	122	14%	244	33%	248	40%
Consumer	263	29%	325	43%	196	31%
Total	900	100%	745	100%	625	100%
Total assets containing risk elements	\$7,287		\$6,531		\$4,615	
Total nonperforming assets to loans		0.85%		0.79%		0.60%
Total assets containing risk elements to loans		0.97%		0.89%		0.69%
Total nonperforming assets to assets		0.50%		0.45%		0.33%
Total assets containing risk elements to assets		0.57%		0.51%		0.38%

TABLE 8
CHANGES IN NONACCRUAL LOANS

(in thousands)	Three months ended March 31,	
	1998	1997
Balance at beginning of period	\$5,256	\$3,320
Loans placed on nonaccrual	2,388	1,125
Charge-offs	(611)	(388)
Payments	(900)	(739)
Transfers to OREO	(304)	(60)
Loans returned to accrual	(6)	-
Balance at end of period	\$5,823	\$3,258

CHANGES IN OREO

Balance at beginning of period	\$ 530	\$1,242
Additions	304	66
Sales	(265)	(487)
Write-downs	(5)	(89)
Balance at end of period	\$ 564	\$ 732

DEPOSITS

Customer deposits represent the greatest source of funding assets. Average total deposits for the quarter ended March 31, 1998, increased \$72.2 million, or 7.6% from the same period in 1997. The majority of this increase was time deposits, which increased \$60.1 million between the reporting periods. This increase can be attributed to municipal time deposits. The Company also experienced a \$14.4 million increase in average demand deposits, while average savings deposits experienced a minimal decline between quarters.

BORROWED FUNDS

The Company's borrowed funds consist of short-term borrowings and other borrowings. Short-term borrowings include federal funds purchased, securities sold under agreement to repurchase, and other short-term borrowings which consist primarily of Federal Home Loan Bank (FHLB) advances with an original maturity of one day up to one year. Other borrowings consist of fixed rate FHLB advances with an original maturity greater than one year. Average borrowings for the three months ended March 31, 1998 increased \$23.4 million, or 23.3% compared to the same period of 1997.

CAPITAL AND DIVIDENDS

Stockholders' equity of \$127 million represents 9.8% of total assets at March 31, 1998, compared with \$108 million, or 9.0% a year previous, and \$123 million, or 9.6% at December 31, 1997. The increased capital since year-end 1997 is a result of earnings retention.

In December of 1997, the Company distributed a 5% stock dividend for the thirty-eighth consecutive year. The Company does not have a target dividend payout ratio, rather the Board of Directors considers the Company's earnings position and earnings potential when making dividend decisions.

Capital is an important factor in ensuring the safety of depositors' accounts. During both 1997 and 1996, the Company earned the highest possible national safety and soundness rating from two national bank rating services, Bauer Financial Services and Veribanc, Inc. Their ratings are based on capital levels, loan portfolio quality and security portfolio strength.

As the capital ratios in Table 9 indicate, the Company remains well capitalized. Capital measurements are significantly in excess of regulatory minimum guidelines and meet the requirements to be considered well capitalized for all periods presented. Tier 1 and Risk-based Capital ratios have regulatory minimum guidelines of 4% and 8% respectively, with requirements to be considered well capitalized of 6% and 10%, respectively.

TABLE 9
CAPITAL MEASUREMENTS

	First Quarter 1997	Second Quarter 1997	Third Quarter 1997	Fourth Quarter 1997	FIRST QUARTER 1998
Tier 1 leverage ratio	8.91%	8.75%	8.76%	8.91%	9.19%
Tier 1 capital ratio	14.53%	14.46%	14.47%	14.88%	15.30%
Total risk-based capital ratio	15.78%	15.71%	15.73%	16.13%	16.56%
Cash dividends as a percentage of net income	36.46%	34.27%	35.90%	37.72%	30.33%
Per common share:					
Book value	\$12.00	\$12.70	\$13.24	\$13.68	\$14.03
Tangible book value	\$10.92	\$11.66	\$12.24	\$12.72	\$13.11

The accompanying Table 10 presents the high, low and closing sales price for the common stock as reported on the NASDAQ National Market System, and cash dividends declared per share of common stock. At March 31, 1998, total market capitalization of the Company's common stock was approximately \$253 million compared with \$167 million at March 31, 1997. The change in market capitalization is due to an increase in the market price, as well as a slight increase in the number of shares outstanding. The Company's price to book value ratio was 2.00 at March 31, 1998 and 1.55 a year ago. The Company's price was 13 times annualized earnings at March 31, 1998, compared to 12 times a year previous.

TABLE 10
 QUARTERLY COMMON STOCK AND DIVIDEND INFORMATION

Quarter Ending	High	Low	Close	Cash Dividends Declared
1997				
March 31	\$19.05	\$16.79	\$18.57	\$0.143
June 30	25.60	18.57	25.60	0.143
September 30	25.48	21.19	25.12	0.162
December 31	27.69	22.86	27.00	0.170
1998				
MARCH 31	\$28.00	\$23.50	\$28.00	\$0.170

LIQUIDITY AND INTEREST RATE SENSITIVITY MANAGEMENT

The primary objectives of asset and liability management are to provide for the safety of depositor and investor funds, assure adequate liquidity, and maintain an appropriate balance between interest sensitive earning assets and interest bearing liabilities. Liquidity management involves the ability to meet the cash flow requirements of customers who may be depositors wanting to withdraw funds or borrowers needing assurance that sufficient funds will be available to meet their credit needs. The Asset/Liability Management Committee (ALCO) is responsible for liquidity management and has developed guidelines which cover all assets and liabilities, as well as off balance sheet items that are potential sources or uses of liquidity. Liquidity must also provide the flexibility to implement appropriate strategies and tactical actions. Requirements change as loans grow, deposits and securities mature, and payments on borrowings are made. Interest rate sensitivity management seeks to avoid widely fluctuating net interest margins and to ensure consistent net interest income through periods of changing economic conditions.

The Company's primary measure of liquidity is called the basic surplus, which compares the adequacy of cash sources to the amounts of volatile funding sources. 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. Accordingly, the Company has established borrowing agreements with other banks (Federal Funds), the Federal Home Loan Bank of New York (short and long-term borrowings which are denoted as advances), and repurchase agreements with investment companies.

At March 31, 1998 and 1997, the Company's basic surplus ratios (net access to cash and secured borrowings as a percentage of total assets) were approximately 7% and 9%, respectively. The Company has set a present internal minimum guideline range of 5% to 7%. As these ratios indicate, the Company's liquidity is within management standards. In addition, the Asset/Liability Management Committee has determined that liquidity is adequate to meet the cash flow requirements of the Company.

Interest rate risk is determined by the relative sensitivities of earning asset yields and interest bearing liability costs to changes in interest rates. The method by which banks evaluate interest rate risk is to look at the interest sensitivity gap, the difference between interest sensitive assets and interest sensitive liabilities repricing during the same period, measured at a specific point in time. Through analysis of the interest sensitivity gap, the Company attempts to position its assets and liabilities to maximize net interest income in several different interest rate scenarios. As of March 31, 1998, the interest sensitivity gap indicates that the Company is liability sensitive in the short term and supports management's contention that the Company is positioned to benefit from a declining interest rate environment over the next twelve months. The nature and timing of the benefit will be initially impacted by the extent to which core deposit and borrowing rates are lowered as rates decline. The Company becomes asset sensitive after the one-year time frame and, therefore, would benefit in the long-term from rising interest rates.

While the static gap evaluation of interest rate sensitivity is useful, it is not indicative of the impact of fluctuating interest rates on net interest income. Once the Company determines the extent of gap sensitivity, the next step is to quantify the potential impact of the interest sensitivity on net interest income. The Company utilizes a simulation model which measures the effect certain assumptions will have on net interest income over a short period of time, usually one or two years. These assumptions include, but are not limited to prepayments, potential call options of the investment portfolio and various interest rate environments. The following table presents the impact on net interest income of a gradual twelve-month increase or decrease in interest rates compared to a stable interest rate environment. The simulation projects net interest income over the next year using the March 31, 1998 balance sheet position.

TABLE 11
INTEREST RATE SENSITIVITY ANALYSIS

Change in interest rates (in basis points)	Percent change in net interest income
+200	(4.81%)
+100	(2.98%)
-100	1.45%
-200	1.43%

----- SELECTED FIVE YEAR DATA -----	1997	1996	1995	1994	1993
(dollars in thousands, except per share data)					
Net income	\$ 14,749	\$ 12,179	\$ 9,329	\$ 6,508	\$ 8,505
Return on average assets	1.20%	1.10%	0.90%	0.64%	0.93%
Return on average equity	12.97%	11.80%	9.18%	6.53%	8.79%
Net interest margin	4.67%	4.69%	4.43%	4.81%	5.26%
Efficiency ratio	56.09%	60.74%	65.92%	70.22%	71.05%
Expense ratio	2.20%	2.41%	2.51%	2.96%	3.21%
Tier 1 leverage ratio	8.91%	8.70%	8.80%	9.05%	9.24%
Tier 1 risk-based capital ratio	14.88%	14.06%	15.21%	16.09%	15.40%
Total risk-based capital ratio	16.13%	15.31%	16.46%	17.35%	16.66%
Cash dividend per share payout	37.91%	36.50%	42.61%	56.13%	39.19%
Earnings per share:					
Basic	\$ 1.65	\$ 1.37	\$ 1.01	\$ 0.70	\$ 0.92
Diluted	\$ 1.63	\$ 1.36	\$ 1.01	\$ 0.69	\$ 0.91
Cash dividends paid	\$ 0.618	\$ 0.497	\$ 0.429	\$ 0.388	\$ 0.357
Book value	\$ 13.68	\$ 12.11	\$ 11.85	\$ 10.59	\$ 10.87
Tangible book value	\$ 12.72	\$ 10.97	\$ 10.58	\$ 9.53	\$ 9.46
Stock dividends distributed	5.00%	5.00%	5.00%	5.00%	5.00%
Market price:					
High	\$ 27.69	\$ 18.10	\$ 16.32	\$ 15.22	\$ 15.22
Low	\$ 16.79	\$ 14.29	\$ 13.61	\$ 12.34	\$ 10.38
End of year	\$ 27.00	\$ 17.14	\$ 15.88	\$ 14.25	\$ 15.01
Price/earnings ratio (assumes dilution)	16.56X	12.59x	15.73x	20.49x	16.59x
Price/book value ratio	1.97X	1.42x	1.34x	1.35x	1.38x
Total assets	\$1,280,585	\$1,138,986	\$1,106,266	\$1,044,557	\$953,907
Total stockholders' equity	\$ 123,343	\$ 106,264	\$ 108,044	\$ 98,307	\$101,108
Average diluted common shares outstanding (thousands)	9,072	8,939	9,240	9,386	9,341

PART II. OTHER INFORMATION

Item 1 -- Legal Proceedings

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

Item 2 -- Changes in Securities

Following are listed changes in the Company's Common Stock outstanding during the quarter ended March 31, 1998 as well as certain actions which have been taken which may affect the number of shares of Common Stock (shares) outstanding in the future. There was no Preferred Stock outstanding during the quarter ended March 31, 1998.

The Company has Stock Option Plans covering key employees. In January 1998, non-qualified stock options were granted for 120,700 shares of common stock at an option price of \$26.70 per share. These options vest over a four year period with the first vesting date one year from the date of grant. Outstanding at March 31, 1998 are non-qualified stock options covering 461,565 shares at exercise prices ranging between \$8.58 and \$26.70 with expiration dates between February 12, 1999, and January 27, 2008. There are 591,527 shares of authorized common stock designated for possible issuance under the Plans, including the aforementioned shares. The number of shares designated for the Plans, the number of shares under existing options and the option price per share may be adjusted upon certain changes in capitalization, such as stock dividends, stock splits and other occurrences as enumerated in the Plans. (FORMS S-8, Registration Statement Nos. 33-18976 and 33-77410, filed with the Commission on December 9, 1987 and April 6, 1994, respectively).

In 1995, the Company granted its then Chairman stock options in connection with the discharge of severance obligations of the Company and the Bank under his employment agreement. The agreement issued options covering 143,311 and 30,024 shares with exercise prices of \$13.99 and \$14.60, respectively, and an expiration date of January 31, 1997 (the number of shares under option and the option price per share have been adjusted for stock dividends). The Company filed a registration statement relating to these option shares which were issued January 23, 1997, upon payment of the exercise price, from authorized, but unissued common stock. These stock options did not reduce the number available under the previously mentioned Plans.

The Company has a Dividend Reinvestment Plan for stockholders under which no new shares of common stock were issued for the quarter ended March 31, 1998. There are 525,762 shares of authorized but unissued common stock designated for possible issuance under the Plan (the number of shares available has been adjusted for stock dividends and splits). (FORM S-3, Registration Statement No. 33-12247, filed with the Commission on February 26, 1987).

The Company's Board of Directors has reserved 25,000 of authorized but unissued shares for future payment of an annual Board retainer. In January 1998, each Director was granted 112 shares which are restricted from one to three years for payment of their 1998 Board retainer. Shares were purchased from treasury therefore the number of authorized and unissued shares was not effected.

The Company's Board of Directors has authorized the purchase on the open market by the Company of additional shares of treasury stock. These treasury shares are to be used for a variety of corporate purposes, primarily to meet the needs of the Company's Employee Stock Ownership Plan, Automatic Dividend Reinvestment and Stock Purchase Plan, Stock Option Plans, Retirement Savings Plan, Restricted Stock Agreements and Bank Trust Department directed IRA and HR-10 accounts. Purchases and sales during the first quarter of 1998 totalled 31,100 and 56,437, respectively, with 390,534 shares in treasury at March 31, 1998. Purchases were made at the prevailing market price in effect at the dates of the transactions. Subsequent sales to both the Company's Employee Stock Ownership Plan and Dividend Reinvestment and Stock Purchase Plan, if any, were made at the five day average of the highest and lowest quoted selling price of the Company's common stock on the National Market System of NASDAQ.

The Company currently is authorized to issue 2.5 million shares of preferred stock, no par value, \$1.00 stated value. The Board of Directors is authorized to fix the particular designations, preferences, rights, qualifications, and restrictions for each series of preferred stock issued. The Company has a Stockholder Rights Plan (Plan) designed to ensure that any potential acquiror of the Company negotiate with the Board of Directors and that all Company stockholders are treated equitably in the event of a takeover attempt. When the Plan was adopted, the Company paid a dividend of one Preferred Share Purchase Right (Right) for each outstanding share of common stock of the Company. Similar Rights are attached to each share of the Company's common stock issued after November 15, 1994, the date of adoption subject to adjustment. Under the Plan, the Rights will not be exercisable until a person or group acquires beneficial ownership of 20 percent or more of the Company's outstanding common stock, begins a tender or exchange offer for 25 percent or more of the Company's outstanding common stock, or an adverse person, as declared by the Board of Directors, acquires 10 percent or more of the Company's outstanding common stock. Additionally, until the occurrence of such an event, the Rights

are not severable from the Company's common stock and therefore, the Rights will be transferred upon the transfer of shares of the Company's common stock. Upon the occurrence of such events, each Right entitles the holder to purchase one one-hundredth of a share of Series R Preferred Stock, no par value, and \$1.00 stated value per share of the Company at a price of \$100.

The Plan also provides that upon the occurrence of certain specified events, the holders of Rights will be entitled to acquire additional equity interests in the Company or in the acquiring entity, such interests having a market value of two times the Right's exercise price of \$100. The Rights, which expire November 14, 2004, are redeemable in whole, but not in part, at the Company's option prior to the time they are exercisable, for a price of \$0.01 per Right.

Item 3 -- Defaults Upon Senior Securities

This item is omitted because there were no defaults upon the Company's senior securities during the quarter ended March 31, 1998.

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

The Company's Annual Meeting of Stockholders was held on April 18, 1998. Two directors were elected and three proposals were voted upon by the stockholders, as described below. A copy of the Notice of Annual Stockholders' Meeting and Proxy Statement is incorporated by Reference to this FORM 10-Q as Exhibit No. 99.1. A complete description of each proposal is included in the Proxy Statement.

- a. Daryl R. Forsythe and Everett A. Gilmour were elected as directors at the Annual Meeting with terms of office to expire at the 2001 Annual Meeting of Stockholders. There are four other directors whose terms of office continued after the Annual Meeting. The terms of Peter B. Gregory and Paul O. Stillman will expire at the 1999 Annual Meeting. The terms of Andrew S. Kowalczyk, Jr. and John C. Mitchell will expire at the 2000 Annual Meeting.

Daryl R. Forsythe was elected, with 7,457,774 votes FOR, and 35,110 votes WITHHELD. Everett A. Gilmour was elected, with 7,394,956 votes FOR, and 97,931 votes WITHHELD.

- b. Proposal to Ratify the Board of Directors Action in Selection of KPMG Peat Marwick LLP as Independent Public Auditors for the Company.

The proposal was approved, with 7,594,405 votes FOR, 24,302 votes AGAINST, and 31,452 votes ABSTAINING.

- c. Proposal to increase the number of authorized shares of common stock to 15,000,000.

The proposal was approved, with 7,330,378 votes FOR, 253,813 votes AGAINST, and 65,961 votes ABSTAINING.

- d. Proposal to amend the 1993 Stock Option Plan.

The proposal was approved, with 6,668,620 votes FOR, 369,000 votes AGAINST, and 98,759 votes ABSTAINING.

Item 5 -- Other Information

Not Applicable

Item 6 -- Exhibits and Reports on FORM 8-K

An index to exhibits follows the signature page of this FORM 10-Q.

No reports on FORM 8-K were filed by the Company during the quarter ended March 31, 1998.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report on FORM 10-Q to be signed on its behalf by the undersigned thereunto duly authorized, this 15th day of May, 1998.

NBT BANCORP INC.

By: /S/ JOE C. MINOR
Joe C. Minor
Executive Vice President
Chief Financial Officer and Treasurer

INDEX TO EXHIBITS

The following documents are attached as Exhibits to this FORM 10-Q or, if annotated by the symbol *, are incorporated by reference as Exhibits as indicated by the page number or exhibit cross-reference to the prior filings of the Registrant with the Commission.

FORM 10-Q Exhibit Number -----		Exhibit Cross-Reference -----
10.1	Restricted Stock Agreement between NBT Bancorp Inc. and (Director) made January 1, 1998. Substantially identical contracts for the following directors have been omitted: Andrew S. Kowalczyk, Jr.; Paul O. Stillman; John C. Mitchell; Everett A. Gilmour and Peter B. Gregory.	Herein
10.2	Restricted Stock Agreement between NBT Bank, National Association and (Director) made January 1, 1998. Substantially identical contracts for the following directors have been omitted: Dan B. Marshman; Kenneth M. Axtell; J. Peter Chaplin; Andrew S. Kowalczyk, Jr.; Paul O. Stillman; William L. Owens; John C. Mitchell; Janet H. Ingraham; Everett A. Gilmour; Richard F. Monroe and Peter B. Gregory.	Herein
10.3	Certificate of Incorporation of NBT Bancorp Inc. as amended through April 18, 1998	Herein
10.4	NBT Bancorp Inc. 1993 Stock Option Plan as amended through April 18, 1998	Herein
10.5	Lease of Oxford Office.	Herein
27.	Financial Data Schedule	Herein
99.1	NBT BANCORP INC. Notice of Annual Stockholders Meeting and Proxy dated March 17, 1998. Filed on March 2, 1998 pursuant to Section 14 of the Exchange Act, File No. 0-14703.	*

EXHIBIT 10.1

Restricted Stock Agreement between NBT Bancorp Inc. and (Director)

RESTRICTED STOCK AGREEMENT
BETWEEN
NBT BANCORP INC. AND

AGREEMENT made as of January 1, 1998 by and between NBT Bancorp Inc. ("Company") and ("Participant"):

WHEREAS, the Participant is a Director of the Company and, as such, receives an annual retainer fee in addition to fees for meeting attendance. The Company and Participant agree that the Participant is entitled to receive the retainer fee in Company Stock subject to the conditions specified below.

THEREFORE, in consideration of the mutual promises and covenants contained herein, it is hereby agreed as follows:

1. AWARD OF SHARES.

Under the terms of this Agreement, the Company has awarded the Participant a Restricted stock award on January 1, 1998 ("Award Date"), covering 112 shares of NBT Bancorp Inc. Common Stock, with a fair market value equal to \$3,002.72 (annual director's retainer), subject to the terms, conditions and restrictions set forth in this agreement.

2. AWARD RESTRICTIONS.

The shares covered by restricted stock award shall vest in accordance with the schedule set forth below:

Full Years Elapsed from Award Date -----	Percent Vested -----
1	33%
2	66%
3	100%

Upon the vesting of any part of the restricted stock award by virtue of the lapse of the restriction period set forth above or under Section 4 of this Agreement, the Company shall cause a stock certificate covering the requisite number of shares in the name of the Participant or beneficiary(ies) to be distributed within 30 days after vesting. Upon receipt of such stock certificate(s), the Participant or beneficiary(ies) are free to hold or dispose of such certificate at will.

During the restriction period, the shares covered by the restricted stock award not already vested are not transferable by the Participant by means of sale, assignment, exchange, pledge, or otherwise. However, the restriction period will lapse upon a change of ownership control within the meaning of Internal Revenue Code ss.368(c) of Company or NBT Bancorp Inc. The lapse of the restriction period will cause the restricted stock award to be fully vested.

3. STOCK CERTIFICATES.

The stock certificate(s) evidencing the restricted stock award shall be registered in the name of the Participant as of the Award Date. Physical possession or custody of such stock certificate(s) shall be retained by the Company until such time as the shares are vested (i.e. the restriction period lapses). The Company reserves the right to place a legend on the stock certificate(s) restricting the transferability of such certificate(s).

During the restriction period, except as otherwise provided in Section 2 of this Agreement, the Participant shall be entitled to all rights of a stockholder of the Company, including the right to vote the shares and receive cash dividends. Stock dividends declared by the Company will be characterized as restricted stock, and distributed with the principle restricted stock.

4. TERM OF DIRECTORSHIP.

If the Participant terminates board membership with the Company due to death, disability, retirement, or failure to be re-elected or re-appointed, the restricted stock award, to the extent not already vested, shall vest in full as of the date of such termination. Voluntary resignation or removal for cause will result in forfeiture of the non-vested grants. The Participant may designate a beneficiary(ies) to receive the stock certificate representing that portion of the restricted stock award automatically vested upon death. The participant has the right to change such beneficiary designation at will.

5. DUTY TO NOTIFY.

It is the Participant's duty to notify the Company in the event an Internal Revenue Code ss.83(b) election is made in the year of the award.

6. WITHHOLDING TAXES.

The Company shall have the right to retain and withhold from any payment under the restricted stock awarded the amount of taxes required by any government to be withheld or otherwise deducted and paid with respect to such payment. At its discretion, the Company may require a Participant receiving shares of Common Stock under a restricted stock award to reimburse the Company for any such taxes required to be withheld by the Company and withhold any distribution in whole or in part until the Company is so reimbursed. In lieu thereof, the Company shall

have the right to withhold from any other cash amounts due or to become due from the Company to the Participant an amount equal to such taxes required to be withheld by the Company to reimburse the Company for any such taxes or retain and withhold a number of shares having a market value not less than the amount of such taxes and cancel (in whole or in part) any such shares so withheld in order to reimburse the Company for any such taxes.

7. IMPACT ON OTHER BENEFITS.

The value of the restricted stock award (either on the Award Date or at the time the shares are vested) shall not be includable as compensation or earnings for purposes of any other benefit plan offered by the Company.

8. ADMINISTRATION.

The Compensation Committee shall have full authority and discretion to decide all matters relating to the administration and interpretation of this Agreement. The Compensation Committee shall have full power and authority to pass and decide upon cases in conformity with the objectives of this Agreement under such rules as the Board of Directors of the Company may establish.

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

9. COMPANY RELATION WITH PARTICIPANTS.

Nothing in this Agreement shall confer on the Participant any right to continue as a director of the Company.

10. FORCE AND EFFECT.

The various provisions of this Agreement are severable in their entirety. Any determination of invalidity or unenforceability of any one provision shall have no effect on the continuing force and effect of the remaining provisions.

11. GOVERNING LAWS.

Except to the extent pre-empted under federal law, the provisions of this Agreement shall be construed, administered and enforced in accordance with the domestic internal law of the State of New York.

12. ENTIRE AGREEMENT.

This Agreement contains the entire understanding of the parties and shall not be modified or amended except in writing and duly signed by the parties. No waiver by either party of any default under this Agreement shall be deemed a waiver of any later default.

IN WITNESS WHEREOF, the parties have executed this Agreement on this _____ day of _____, _____

NBT BANCORP INC.

By _____
President

And
by _____
CFO and Treasurer

Signature of Participant

Name of Participant
(please print)

EXHIBIT 10.2
Restricted Stock Agreement between
NBT Bank, National Association and (Director)

RESTRICTED STOCK AGREEMENT
BETWEEN
NBT BANK, N.A. AND

AGREEMENT made as of January 1, 1998 by and between NBT Bank, N.A. ("Company") and ("Participant"):

WHEREAS, the Participant is a Director of the Company and, as such, receives an annual retainer fee in addition to fees for meeting attendance. The Company and Participant agree that the Participant is entitled to receive the retainer fee in Company Stock subject to the conditions specified below.

THEREFORE, in consideration of the mutual promises and covenants contained herein, it is hereby agreed as follows:

1. AWARD OF SHARES.

Under the terms of this Agreement, the Company has awarded the Participant a Restricted stock award on January 1, 1998 ("Award Date"), covering 112 shares of NBT Bancorp Inc. Common Stock, with a fair market value equal to \$3,002.72 (annual director's retainer), subject to the terms, conditions and restrictions set forth in this agreement.

2. AWARD RESTRICTIONS.

The shares covered by restricted stock award shall vest in accordance with the schedule set forth below:

Full Years Elapsed from Award Date -----	Percent Vested -----
1	33%
2	66%
3	100%

Upon the vesting of any part of the restricted stock award by virtue of the lapse of the restriction period set forth above or under Section 4 of this Agreement, the Company shall cause a stock certificate covering the requisite number of shares in the name of the Participant or beneficiary(ies) to be distributed within 30 days after vesting. Upon receipt of such stock certificate(s), the Participant or beneficiary(ies) are free to hold or dispose of such certificate at will.

During the restriction period, the shares covered by the restricted stock award not already vested are not transferable by the Participant by means of sale, assignment, exchange, pledge, or otherwise. However, the restriction period will lapse upon a change of ownership control within the meaning of Internal Revenue Code ss.368(c) of Company or NBT Bancorp Inc. The lapse of the restriction period will cause the restricted stock award to be fully vested.

3. STOCK CERTIFICATES.

The stock certificate(s) evidencing the restricted stock award shall be registered in the name of the Participant as of the Award Date. Physical possession or custody of such stock certificate(s) shall be retained by the Company until such time as the shares are vested (i.e. the restriction period lapses). The Company reserves the right to place a legend on the stock certificate(s) restricting the transferability of such certificate(s).

During the restriction period, except as otherwise provided in Section 2 of this Agreement, the Participant shall be entitled to all rights of a stockholder of the Company, including the right to vote the shares and receive cash dividends. Stock dividends declared by the Company will be characterized as restricted stock, and distributed with the principle restricted stock.

4. TERM OF DIRECTORSHIP.

If the Participant terminates board membership with the Company due to death, disability, retirement, or failure to be re-elected or re-appointed, the restricted stock award, to the extent not already vested, shall vest in full as of the date of such termination. Voluntary resignation or removal for cause will result in forfeiture of the non-vested grants. The Participant may designate a beneficiary(ies) to receive the stock certificate representing that portion of the restricted stock award automatically vested upon death. The participant has the right to change such beneficiary designation at will.

5. DUTY TO NOTIFY.

It is the Participant's duty to notify the Company in the event an Internal Revenue Code ss.83(b) election is made in the year of the award.

6. WITHHOLDING TAXES.

The Company shall have the right to retain and withhold from any payment under the restricted stock awarded the amount of taxes required by any government to be withheld or otherwise deducted and paid with respect to such payment. At its discretion, the Company may require a Participant receiving shares of Common Stock under a restricted stock award to reimburse the Company for any such taxes required to be withheld by the Company and withhold any distribution in whole or in part until the Company is so

reimbursed. In lieu thereof, the Company shall have the right to withhold from any other cash amounts due or to become due from the Company to the Participant an amount equal to such taxes required to be withheld by the Company to reimburse the Company for any such taxes or retain and withhold a number of shares having a market value not less than the amount of such taxes and cancel (in whole or in part) any such shares so withheld in order to reimburse the Company for any such taxes.

7. IMPACT ON OTHER BENEFITS.

The value of the restricted stock award (either on the Award Date or at the time the shares are vested) shall not be includable as compensation or earnings for purposes of any other benefit plan offered by the Company.

8. ADMINISTRATION.

The Compensation Committee shall have full authority and discretion to decide all matters relating to the administration and interpretation of this Agreement. The Compensation Committee shall have full power and authority to pass and decide upon cases in conformity with the objectives of this Agreement under such rules as the Board of Directors of the Company may establish.

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

9. COMPANY RELATION WITH PARTICIPANTS.

Nothing in this Agreement shall confer on the Participant any right to continue as a director of the Company.

10. FORCE AND EFFECT.

The various provisions of this Agreement are severable in their entirety. Any determination of invalidity or unenforceability of any one provision shall have no effect on the continuing force and effect of the remaining provisions.

11. GOVERNING LAWS.

Except to the extent pre-empted under federal law, the provisions of this Agreement shall be construed, administered and enforced in accordance with the domestic internal law of the State of New York.

12. ENTIRE AGREEMENT.

This Agreement contains the entire understanding of the parties and shall not be modified or amended except in writing and duly signed by the parties. No waiver by either party of any default under this Agreement shall be deemed a waiver of any later default.

IN WITNESS WHEREOF, the parties have executed this Agreement on this _____ day of _____, _____

NBT BANK, N.A.

By _____
President

And
by _____
CFO and Treasurer

Signature of Participant

Name of Participant
(please print)

EXHIBIT 10.3

Certificate of Incorporation of NBT Bancorp Inc. as amended

CERTIFICATE OF INCORPORATION
OF
NBT BANCORP INC.
AS AMENDED THROUGH
APRIL 18, 1998

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

SECOND: The address of the registered office of the Corporation in the State of Delaware is 229 South State Street, City of Dover, County of Kent; and the name of the registered agent of the Corporation in the State of Delaware at such address is The Prentice-Hall Corporation System, Inc.

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

(A) FOURTH: The total number of shares of all classes of capital stock which the Corporation shall have the authority to issue is Seventeen Million Five Hundred Thousand (17,500,000) shares, consisting of Fifteen Million (15,000,000) shares of Common Stock having no par value, stated value \$1.00 per share and Two Million Five Hundred Thousand (2,500,000) shares of Preferred Stock having no par value, stated value \$1.00 per share.

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

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

(a) The number of shares constituting that series and the distinctive designation of that series;

(b) The dividend rate on the shares of that series, whether dividends shall be cumulative, and, if so, from which date or dates, and the relative rights of priority, if any, of payment of dividends shares of that series;

(c) Whether that series shall have voting rights, in addition to the voting rights provided by law, and, if so, the terms of such voting rights;

(d) Whether that series shall have conversion privileges, and, if so, the terms and conditions of such conversion, including provisions for adjustment of the conversion rate in such events as the Board of Directors shall determine;

(e) Whether or not the shares of that series shall be redeemable, and, if so, the terms and conditions of such redemption, including the date or dates upon or after which they shall be redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;

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

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

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

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

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

SIXTH: The Corporation is have perpetual existence.

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

NAME	MAILING ADDRESS
Everett A. Gilmour	52 South Broad Street Norwich, New York 13815

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

A. The management of the business and the conduct of the affairs of the Corporation shall be vested in its Board of Directors. The number of directors shall be fixed by, or in the manner provided in, the By-Laws.

Directors need not be elected by written ballot, unless so required by the By-Laws of the Corporation.

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

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

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

(B) ELEVENTH:

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

(1) Any merger, consolidation or other business reorganization or combination of the Corporation or any of its subsidiaries with any other corporation that is a Major Stockholder of the Corporation;

(2) Any sale, lease or exchange by the Corporation of all or a substantial part of its assets to or with a Major Stockholder;

(3) Any issue of any stock or other security of the Corporation or any of its subsidiaries for cash, assets or securities of a Major Stockholder;

(4) Any reverse stock split of, or exchange of securities, cash or other properties or assets of any outstanding securities of the Corporation or any of its subsidiaries or liquidation or dissolution of the Corporation or any of its subsidiaries in any such case in which a Major Stockholder receives any securities, cash or other assets whether or not different from those received or retained by any holder of securities of the same class as held by such Major Shareholder.

(B) AS AMENDED FEBRUARY 21, 1986

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

(b) For the purpose of this Article ELEVENTH:

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

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

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

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

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

solicited proxies to vote in favor of the transaction, financed any such solicitation of proxies or entered into any contract, arrangement, or understanding with any person for the voting of securities of the company in favor of the transaction.

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

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

(c)

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

(D) TWELTH: A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as director except for liability (i) for any breach of the director's duty of loyalty to the Corporation of its stockholders, (ii) for

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

(C) PARAGRAPH (e) ADDED BY AMENDMENT FEBRUARY 21, 1986.

(D) ARTICLE TWELFTH ADDED BY AMENDMENT FEBRUARY 28, 1987.

EXHIBIT 10.4
NBT Bancorp Inc. 1993 Stock Option Plan as amended

NBT BANCORP INC.
1993 STOCK OPTION PLAN

1. Purposes. (a) The purposes of the 1993 Stock Option Plan (the "Plan") are (a) to attract and retain outstanding key management employees, (b) to further the growth, development, and financial success of NBT Bancorp Inc. (the "Company") by recognizing and rewarding those key employees responsible therefore, (c) to provide an incentive to, and encourage stock ownership in the Company, by those employees responsible for the policies and operations of the Company or its subsidiaries, and (d) to revise and amend the Company's stock option plan dated November 25, 1986, as amended January 12, 1988 (referred to herein as the "1986 Plan"), in the manner set forth in Section 22, below.

(b) In furtherance of these purposes, all stock options to be granted pursuant to the Plan shall be non-statutory ("non-qualified") stock options.

2. Administration. (a) This Plan shall be administered by the Board of Directors of the Company, the Compensation and Benefits Committee of the Board of Directors of the Company (or successor committee) or a subcommittee thereof (the "Committee"). The Committee shall consist of not fewer than three members of the Board of Directors. It is intended that the Committee at all times comply with the disinterested administration provisions of Rule 16b-3 promulgated under Section 16(b) of the Securities Exchange Act of 1934, as amended.

(b) The Committee shall have full authority and discretion to determine, consistent with the provisions of this Plan, the employees to be granted options; the times at which options will be granted; the option price of the shares subject to each option (subject to Section 6); the number of options to be granted to each employee; the period during which each option becomes exercisable (subject to Section 8); and the terms to be set forth in each option agreement. The Committee shall also have full authority and discretion to adopt and revise such rules and procedures as it shall deem necessary for the administration of this Plan. The Committee shall act by majority vote of all members taken at a meeting of the Committee or by the written affirmation of a majority of its members without a meeting.

(c) The Committee's interpretation and construction of any provisions of this Plan or any option granted hereunder shall be final, conclusive, and binding.

3. Eligibility. The Committee shall from time to time determine the key management employees of the Company and its subsidiaries who shall be granted options under this Plan. For purposes of this Plan, key management employees shall be deemed to be those employees who are responsible for the policies and operation of the Company and its subsidiaries, including its president, chief executive officer, other executive officers, department heads, branch managers, and division managers of the Company or its subsidiaries. A person who has been granted an option may be granted additional options under this Plan if the Committee shall so determine. The granting of an option under this Plan shall not affect any outstanding stock option previously granted to an optionee under this Plan or any other plan of the Company.

4. Shares of stock subject to this Plan. The number of shares which may be issued pursuant to options granted under this Plan shall not exceed 1,207,753 shares of the no par value, stated value \$1.00 per share, common stock of the Company (the "Common Stock"). Such shares may be authorized and unissued shares or shares previously acquired or to be acquired by the Company and held in treasury. The Company shall reserve a sufficient number of shares for options granted under the Plan. Any shares subject to an option which expires for any reason or is terminated unexercised as to such shares may again be subject to an option under this Plan.

5. Issuance and terms of option certificates. Each optionee shall be entitled to receive an appropriate certificate evidencing his option and referring to the terms and conditions of this Plan.

6. Granting price of options. (a) The grant of each option shall state the number of shares to which it pertains and shall state the exercise price, which shall not be less than 100% of the fair market value of the Common Stock. "Fair Market Value," as used in this Plan, shall mean the average between the highest and lowest quoted selling prices of the Common Stock on the National Market System of NASDAQ on the date of grant and the five preceding trading days prior to the date of grant. If there is no sale reported on the National Market

System of NASDAQ on the appropriate date, the Fair Market Value shall be determined by taking the average between the highest and lowest sales for the five most recent preceding trading days.

(b) The option price shall be payable in United States dollars and be paid in full upon the exercise of the option and may be paid in cash or by check, provided, however, that subject to the discretion of the Committee and provided that all required regulatory approvals, if any, have been obtained, the optionee may deliver certificates of the Common Stock of the Company in part or in full payment of the purchase price (including the payment of all applicable federal and state taxes due upon exercise) in which event such certificates shall be valued at their Fair Market Value upon exercise of the option.

7. Use of proceeds. The proceeds from the sale of the Common Stock upon exercise of options shall be added to the general funds of the Company and used for its corporate purposes.

8. Term and exercise of options. (a) Each option granted under this Plan shall be exercisable on the dates, for the number of shares and on such other terms as shall be provided in the agreement evidencing the option granted by the Committee. An option granted under the Plan shall become exercisable in installments as follows: to the extent of forty percent (40%) of the number of shares originally covered thereby with respect to each particular grant of options, at any time after the expiration of one year from the date of grant, and to the extent of an additional twenty percent (20%) of such number of shares upon the expiration of each succeeding year, so that upon the expiration of four years from the date of grant one hundred percent (100%) of such number of shares will be eligible for exercise by the optionee; and such installments shall be cumulative.

(b) An option may be exercised at any time or from time to time during the term of the option as to any or all full shares which have become purchasable under the provisions of the option and this Plan. However, no option shall be exercisable until after one year from the date of grant, nor after the expiration of ten years from the date of grant.

(c) An option shall be exercised by written notice of intent to exercise the option with respect to a specified number of shares delivered to the Company's secretary or treasurer at its principal office in Norwich, New York and payment in full to the Company at such office of the amount of the option price for the number of shares of Common Stock with respect to which the option is then being exercised. In addition to and at the time of payment of the option price, the optionee shall pay to the Company in cash or in Common Stock of the Company the full amount of all federal and state withholding or other taxes applicable to the taxable income of such optionee resulting from such exercise.

(d) (i) Except as otherwise provided herein, for each share of Common Stock purchased by an optionee upon the exercise of a stock option pursuant to the Plan, the optionee upon the approval of the Board or the Committee shall receive a replacement option (a "Reload Option") to purchase another share of Common Stock at the Fair Market Value, determined in accordance with Section 6(a), on the date of exercise of such original option.

(ii) A Reload Option shall become exercisable two years after the date of its grant, provided the optionee is then an employee or retired employee of the Company, shall be exercisable for the same number of years that was originally assigned to the option which such Reload Option replaced, and shall be subject to such other terms and conditions as the Committee may determine.

(iii) No Reload Option shall be granted upon exercise of a Reload Option.

(iv) If an optionee shall sell shares of Common Stock without Board or Committee approval (which approval shall not be withheld in the case of an optionee's financial hardship) within two years after the grant of a Reload Option, then the number of shares of Common Stock available for purchase by an optionee upon the exercise of a Reload Option shall be reduced by that number of shares of Common Stock that the optionee shall have sold without such approval within such two-year period after the grant date of the Reload Option.

9. Nontransferability. All options granted under this Plan shall be nontransferable by the optionee, otherwise than by will or the laws of descent and distribution, and shall be exercisable during his lifetime, only by him, nor may any option be assigned, pledged, hypothecated, or otherwise disposed of in any other way. Upon any attempt to sell, transfer, assign, pledge, hypothecate or otherwise dispose of an option or any other right or privilege conferred

under this Plan, such option and any other rights or privileges conferred hereunder shall be deemed forfeited, immediately terminated, and rendered null and void.

10. Requirements of law. The granting of options and the issuance of shares of Common Stock upon the exercise of an option shall be subject to all applicable laws, rules, and regulations and shares shall not be issued except upon approval of proper government agencies or stock exchanges as may be required.

11. Termination of Employment. (a) Except as otherwise provided herein and in Section 12, if an optionee's employment with the Company or its subsidiaries shall terminate for any reason, he may, but only within a period of 30 days beginning the day following the date of such termination of employment, exercise his option, to the extent that he was entitled to exercise it at the date of such termination.

(b)(i) If an optionee's employment with the Company or its subsidiaries shall terminate for "cause," as defined below, all options held by such optionee at the date of such termination of employment shall be deemed forfeited, immediately terminated, and rendered null and void.

(ii) Termination of an optionee's employment by the Company for "cause" shall mean termination because, and only because, the optionee 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, the optionee shall not be deemed to have been terminated for cause unless and until there shall have been delivered to the optionee a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for the purpose (after reasonable notice to the optionee and an opportunity for the optionee, together with optionee's counsel, to be heard before the Board), finding that in the good faith opinion of the Board the optionee was guilty of conduct constituting cause as defined above and specifying the particulars thereof in detail.

12. Retirement, disability, or death of optionee. (a) In the event that the optionee shall retire, the option shall become exercisable in full on the date of retirement, shall otherwise continue in full force and effect as if the optionee were still employed by the Company or its subsidiaries, and shall be exercisable in accordance with its terms.

(b) In the event that the optionee shall become permanently and totally disabled, as determined by the Committee in accordance with applicable Company personnel policies, such option shall become exercisable in full on the date of such disability and shall otherwise remain exercisable in accordance with its terms for the remaining term of the option as established upon grant of such option.

(c) In the event of the death of an optionee while in the employ of the Company or its subsidiaries, the option theretofore granted to him shall be exercisable only by the proper personal representative of the optionee's estate within a period of six months after the date of death and such option shall become exercisable in full on the date of such death.

13. Acceleration of Vesting. (a) Immediately upon the occurrence of a Change in Control of the Company, all options shall immediately vest and become exercisable in full, including that portion of any option that had not theretofore become vested and exercisable.

(b) A "Change of Control" of the Company shall mean:

(i) A change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A as in effect on the date hereof pursuant to the Securities Exchange Act of 1934 (the "Exchange Act"); provided that, without limitation, such a change in control shall be deemed to have occurred at such time as any Person hereafter becomes the "Beneficial Owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 30 percent or more of the combined voting power of the Company's Voting Securities; or

(ii) During any period of two consecutive years, individuals who at the beginning of such period constitute the Board cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election by the Company's shareholders, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period; or

(iii) There shall be consummated (x) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which Voting Securities would be converted into cash, securities, or other property, other than a merger of the Company in which the holders of Voting Securities immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, or (y) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions), of all, or substantially all of the assets of the Company, provided that any such consolidation, merger, sale, lease, exchange or other transfer consummated at the insistence of an appropriate banking regulatory agency shall not constitute a change in control; or

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

(c) For purposes of these "Change in Control" provisions, 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.

(d) The term "Voting Securities" shall mean the Company's outstanding securities ordinarily having the right to vote at elections of directors.

14. Adjustments. In the event of any change in the outstanding shares of Common Stock by reason of any stock dividend or split, recapitalization, reclassification, merger, consolidation, combination or exchange of shares, or other similar corporate change, then if the Committee shall determine, in its sole discretion, that such change necessarily or equitably requires an adjustment in the number of shares subject to each outstanding option and the option prices or in the maximum number of shares subject to this Plan, such adjustments shall be made by the Committee and shall be conclusive and binding for all purposes of this Plan. No adjustment shall be made in connection with the sale by the Company of its Common Stock in the open market in an SEC-registered offering or in a privately-placed exempt offering or the issuance by the Company of Common Stock pursuant to the Company's Automatic Dividend Reinvestment and Stock Purchase Plan or the Employees' Stock Ownership Plan or of any warrants, rights, or options to acquire additional shares of Common Stock or of securities convertible into Common Stock.

15. Extraordinary transactions. Upon (i) the dissolution or liquidation of the Company, (ii) a reorganization, merger or consolidation of the Company with one or more corporations or other entity as a result of which the Company is not the surviving corporation, or (iii) a sale of substantially all the assets of the Company to another corporation or other entity, the Board of Directors shall cause written notice of the proposed transaction to be given to the optionee or grantee not less than 40 days prior to the anticipated effective date of the proposed transaction, and the option shall be accelerated and, prior to a date specified in such notice, which shall be not more than ten days prior to the anticipated effective date of the proposed transaction, the optionee shall have the right to exercise the stock option to purchase any or all shares then subject to the option, including those, if any, which have not become available for purchase under other provisions of the Plan. The optionee, by so notifying the Company in writing, may, in exercising the stock options, condition such exercise upon, and provide that such exercise shall become effective at the time of but immediately prior to, the consummation of the transaction, in which event the optionee need not make payment for the shares of Common Stock to be purchased upon exercise of the option until five days after written notice by the Company to the optionee that the transaction is consummated. Each option, to the extent not previously exercised prior to the date specified in the foregoing notice, shall terminate on the effective date of such consummation. If the proposed transaction is abandoned, any shares of Common Stock not purchased upon exercise of the option shall continue to be available for exercise in accordance with the other provisions of the Plan, and the shares of Common Stock, if any, purchased upon exercise of an option pursuant to this subsection shall be deemed to have been purchased in the order in which they first become available for purchase under other provisions of the plan.

16. Claim to stock option, ownership, or employment rights. No employee or other person shall have any claim or right to be granted options under this Plan. No optionee, prior to issuance of the stock, shall be entitled to voting rights, dividends, or other rights of stockholders except as otherwise provided in this Plan. Neither this Plan nor any other action taken hereunder shall be construed as giving any employee any right to be retained in the employ of the Company or a subsidiary.

17. Unsecured obligation. Optionees under this Plan shall not have any interest in any fund or specific asset of the Company by reason of this Plan. No trust fund shall be created in connection with this Plan or any award thereunder, and there shall be no required funding of amounts which may become payable to any optionee.

18. Expenses of plan. The expenses of administering the Plan shall be borne by the Company.

19. Reliance on reports. Each member of the Committee and each member of the Board of Directors shall be fully justified in relying or acting in good faith upon any report made by the independent public accountants of the Company and its subsidiaries and upon any other information furnished in connection with the Plan by any person or persons other than himself. In no event shall any person who is or shall have been a member of the Committee or of the Board of Directors be liable for any determination made or other action taken or any omission to act in reliance upon any such report or information or for any action, including the furnishing of information, taken or failure to act, if in good faith.

20. Indemnification. Each person who is or shall have been a member of the Committee or of the Board of Directors shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him in connection with or resulting from any claim, action, suit, or proceeding to which he may be a party or in which he may be involved by reason of any action taken or failure to act, in good faith, under the Plan and against and from any and all amounts paid by him in settlement thereof, with the Company's approval, or paid by him in satisfaction of judgment in any such action, suit, or proceeding against him, provided he shall give the Company an opportunity, at its own expense, to handle and defend the same before he undertakes to handle and defend it on his own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such person may be entitled under the Company's Articles of Incorporation or Bylaws, as a matter of law, or otherwise, or any power than the Company may have to indemnify them or hold them harmless.

21. Amendment and termination. Unless this Plan shall theretofore have been terminated as hereinafter provided, no options may be granted after April 18, 2008. The Board of Directors may terminate this Plan or modify or amend this Plan in such respect as it shall deem advisable, provided, however, that the Board of Directors may not without further approval by the Company's shareholders, (a) increase the aggregate number of shares of Common Stock as to which options may be granted under the Plan except as provided in Section 14, (b) change the class of persons eligible to receive options, (c) change the provisions of the Plan regarding the option price, (d) extend the period during which options may be granted, (e) extend the maximum period after the date of grant during which options may be exercised or (f) change the provision in the Plan as to the qualification for membership on the Committee. No termination or amendment of the Plan may, without the consent of a person to whom an option shall theretofore have been granted, adversely affect the rights of such person under such option.

22. Revision and amendment of 1986 Plan. (a) Upon the adoption of the Plan, the Board of Directors and the Committee shall have no authority to grant additional options or SARs pursuant to the 1986 Plan, except as otherwise provided in this Section.

(b) Article VI of the 1986 Plan is hereby amended to authorize the Board of Directors or the Committee to (i) dissolve the in tandem feature of previously-granted options and SARs and (ii) cancel previously granted SARs and grant replacement options on the basis of seven-tenths (.7) options for each SAR and such replacement options having terms similar to those of the canceled SARs, the Board of Directors having determined that this was the amount necessary to induce holders of SARs to surrender such SARs.

23. Gender. Any masculine terminology used in this Plan shall also include the feminine gender.

24. Effective date of plan. The Plan was approved by a majority of the shareholders of the Company at its annual meeting on April 24, 1993 (or adjournment thereof) and shall become effective as of April 24, 1993.

25. Plan binding on successors. The Plan shall be binding upon the successors and assigns of the Company.

26. Ratification of actions. By accepting any option or other benefit under the Plan, each participant in the Plan and each person claiming under or through such participant shall be conclusively deemed to have indicated such person's acceptance and ratification of, and consent to, any action taken under the Plan by the Company, the Board, or the Committee.

27. Invalidity or unenforceability. If any term or provision of the Plan is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the terms and provisions will remain in full force and effect and will in no way be affected, impaired, or invalidated.

NBT BANCORP INC.

/s/DARYL R. FORSYTHE

Daryl R. Forsythe
President and Chief Executive Officer

/s/JOHN D. ROBERTS

John D. Roberts
Secretary

EXHIBIT 10.5
Lease of Oxford Office

LEASE

BETWEEN

JAMES MIRABITO & SONS, INC.
(LANDLORD)

AND

NBT BANK, N.A.
(TENANT)

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EXHIBITS

- Exhibit "A" - Description of Improvements
- Exhibit "B" - Tenant's Signage

LEASE

THIS AGREEMENT between JAMES MIRABITO & SONS, INC., a New York business corporation having its principal office at 44 Grand Street, Sidney, New York 13838 ("Landlord"), and NBT BANK, N.A., a national banking corporation having its principal office at 52 S. Broad Street, Norwich, New York ("Tenant").

Landlord hereby leases to Tenant and Tenant rents from Landlord, the Premises described below, upon the terms and conditions hereinafter set forth.

PREMISES

The premises which are the subject of this Lease are approximately 2000 square feet of office space located at Canal Street in the Village of Oxford, Chenango County, New York being a portion of the Quickway for the purpose of installing and operating a branch of Tenant as shown on the floor plan, plans and specifications attached as part of Exhibit "A" ("Premises").

TERM

(a) The term of this Lease is ten (10) years and shall commence on the date hereof and continue to and including a date, which is ten (10) years after the Rent Commencement Date. The Rent Commencement Date shall be the date on which Tenant opens the Demised Premises to the public for business, or the date which is sixty (60) days after the date the Demised Premises are ready for Occupancy as hereinafter defined.

Landlord shall give Tenant notice in writing at least sixty (60) days prior to the date on which the Demised Premises will be Ready for Occupancy.

The term "Ready for Occupancy" shall mean that (1) the Demised Premises and Common Area are substantially complete in accordance with the plans and specifications and description of improvements attached hereto and incorporated herein as "Exhibit A;" (2) all tools, scaffolding, surplus building materials, waste, debris and rubbish of every sort in or about the Demised Premises have been removed; exclusive possession of the Demised Premises have been delivered to Tenant; the Common Area is fit and suitable for use; and the parking lot is paved, striped and ready for use; (3) Landlord and Tenant shall have obtained all necessary approvals for Tenant signage, as hereinafter set forth; (4) Tenant may accept delivery from Landlord of the Demised Premises in a condition which is not "Ready for Occupancy" provided, however, that Landlord shall not be relieved of its duty to satisfy its obligations as set forth within this section.

(b) In the event Tenant remains in possession of the Premises after the expiration of the original term of the Lease or any extension thereof, the Landlord may, at its option, upon fifteen (15) days' written notice to the Tenant, treat the holdover as an agreement on the part of the Tenant to an additional lease term on the same terms as set forth herein commencing as of the expiration of the previous Lease term.

(c) Option to Renew: In the event Tenant has well and truly complied with each and every term, condition and covenant of this Lease, the Landlord grants to the Tenant the right to renew the Term of this Lease for three (3) additional terms of five (5) years each. The Tenant shall give the Landlord not less than six (6) months notice of its election to exercise each renewal option.

RENT

Tenant shall pay without abatement, deduction or offset of any nature the rental amounts set forth below which rent shall be paid in advance on the first day of each month:

Years 1 - 5;	\$2000.00 per month
Years 6 - 10;	\$2500.00 per month
Years 11 - 15; (1st Option Period)	\$2625.00 per month
Years 16 - 20; (2nd Option Period)	\$2756.25 per month
Years 21 - 25; (3rd Option Period)	\$2894.06 per month

IMPROVEMENTS

The Landlord shall, at its own cost and expense, construct the improvements to the Premises as detailed in Exhibit "A". It shall be the responsibility of the Landlord to insure that the Demised Premises and the Common Area, when completed, will be well-built in a workmanlike manner, using accepted industry standards and practices, properly constructed, free of Hazardous Substances and Asbestos (as hereinafter defined) and ready for installation of all Tenants, fixtures and equipment.

Landlord, at its own cost, agrees to construct the Demised Premises and Common Area pursuant to drawings prepared as set forth upon Exhibit "A" in compliance with all state and local building, health, fire and other codes pertaining thereto, and a temporary or permanent Certificate of Occupancy or its equivalent has been issued and a copy thereof given to Tenant. Tenant shall be responsible for the construction of the interior of the Premises and the furnishing of the same as also detailed in Exhibit "A".

UTILITIES

Tenant shall be responsible for the payment of all utilities or services used in the Premises including but not limited to telephone, electric, gas and heating oil. Said payments shall be made by Tenant directly to the provider of such utility or service. Landlord shall provide separate utility meters to measure Tenant's actual consumption of such utilities as are used by Tenant on the Demised Premises, or obtain separate utility meters from utility companies furnishing such services.

RESTROOMS

During normal business hours, Tenant's employees, customers and invitees shall be entitled to use the restroom facilities maintained by Landlord located in the building of which the Premises are a part.

TAXES

Tenant covenants and agrees to pay the Landlord, within 20 days of receiving notice from Landlord and a copy of the tax bill, Tenant's pro rata share of the county, town, village and school taxes and assessments on the premises during the term of this Lease and any renewals hereof. The Tenant's pro rata share shall be thirty percent (30%) of the total tax or assessment and shall constitute additional rent.

Appropriate credit shall be given Tenant for any real estate tax refund obtained by reason of any reduction in the taxable assessed valuation of the real property of which the Demised Premises form a part. The original computations, as well as payments of additional rent, if any, or allowances, if

any, under the provisions of this paragraph, shall be based on the original assessed valuations, with adjustments to be made at a later date when the tax refund, if any, shall be paid to Landlord by the taxing authorities.

Before computing the amount of any allowance or credit to be made to Tenant pursuant to this paragraph, there shall be deducted from the gross amount of the real estate taxes refunded to Landlord, all reasonable expenses paid by Landlord in connection with obtaining the refund (including, without limitation, reasonable appraisal and counsel fees), and the refund to tenant shall be determined by the net amount of the refund received by Landlord multiplied by the percentage of real estate taxes imposed on assessed upon the land and building comprising the real property of which the Demised Premises form a part in respect of the tax year (as for years or parts thereof) covered by the real estate tax in respect of which Landlord shall have received the refund.

PARKING

Tenant and its customers shall have the right to use the parking area adjacent to the Premises in common with other tenants of the building. The parking area shall contain not less than twenty-one (21) parking spaces for automobiles with dimensions to be not less than 9 feet X 18 feet during the term and all renewals, and Tenant shall have five (5) spaces immediately adjacent and contiguous to the Demised Premises, identified upon the Plot Plan, and identified upon the Premises by Tenant at its sole cost and expense as "Reserved Parking for NBT Customers." Landlord and Tenant shall, during the term of this Lease and all renewals, require that each of their respective employees park

vehicles in the rear of the building of which the Demised Premises form a part.

MAINTENANCE AND MODIFICATIONS

A. Repairs by Tenant:

Tenant shall at its own cost and expense, maintain and repair the interior of the Demised Premises (including, without limitations, any dropped ceiling) and Tenant's entrance and exit doors. It shall be the Tenant's responsibility and obligation to maintain, repair and/or replace all utility and service pipes and lines inside the point of entry into the Demised Premises.

Tenant shall also make all repairs and/or replacements on the Demised Premises necessitated by the negligence of the Tenant, its agents and/or employees.

Tenant agrees to make all repairs, modifications and improvements to the Demised Premises as may be required by the Americans with Disabilities Act (or similar federal, state or local disability laws) for the Tenant to be in compliance with the aforementioned disability laws. Tenant shall also be responsible for its own janitorial services and supplies.

B. Repairs by Landlord:

Landlord shall, at its sole cost and expense, maintain and repair the exterior roof, interior roof structure (which shall not include any dropped ceiling), roof membrane, foundation walls, sprinkler system, sidewalks, exterior paint, all floors (excluding floor coverings), and the Heating, Ventilation, and Air-Conditioning System of the Demised Premises. In addition, Landlord shall maintain, repair and/or replace all utilities to the point of entry to the Demised Premises. Landlord shall have responsibility for snow and garbage

removal and for maintenance and repair of the parking area and the exterior of the building in which the Premises are located.

Within twenty-four (24) hours after written notice from Tenant of the failure or other malfunction of the HVA system, Landlord shall commence to repair or replace the HVA system, and such work shall be completed within a reasonable time thereafter. If Landlord fails to commence such repairs or replacement within such twenty-four (24) hour period, Tenant may repair or replace the HVA system and deduct the cost and expense therefrom from all rents and other charges thereafter payable by Tenant to Landlord.

Landlord shall also make all repairs and/or replacements to the Demised Premises necessitated by the negligence of it, its agents and employee.

Landlord agrees to maintain the Common Area, including the entire bituminous parking area, at all times, and to comply with and conform to the requirements prescribed by governmental laws, rules and regulations and/or directives as may exist or may hereafter be enacted subsequent to the execution of this Lease, excluding the Americans with Disabilities Act as affecting Tenant's Premises.

ALTERATIONS BY TENANT

Tenant, at its sole cost and expense, may make any and all interior non-structural alterations, additions or improvements to the Demised Premises, including but not limited to, doors and windows. Any such alterations shall be made in a good, workmanlike manner and shall not weaken the structure thereof. In addition, Tenant shall take all necessary steps to comply with all

lawful requirements associated with such alterations or improvements, including but not limited to, procuring any and all required governmental permits.

Tenant shall not have the right to make any structural or exterior, alterations, additions or improvements to the Demised Premises which increase the perimeter of the building over the Demised Premises, or which changes its exterior appearance without first obtaining, in each instance, Landlord's prior written consent, which consent shall not be unreasonably withheld or delayed.

PERSONAL PROPERTY

All fixtures and equipment of whatsoever nature placed or installed upon the Demised Premises by Tenant shall remain the property of Tenant, and Tenant shall have the right to release such fixtures and equipment to Landlord or at Tenant's sole option remove the same at any time provided, however, that upon removal of such fixtures or equipment, Tenant shall repair, at its own cost and expense, all damage to the Demised Premises caused by such removal.

COMPLIANCE WITH LAW

Tenant shall promptly execute and comply with all statutes, ordinances, rules, orders, regulations and requirements of the Federal, State and Local Governments and of any and all their Departments and Bureaus applicable to the Premises, for the correction, prevention, and abatement of nuisances or other grievances, in, upon, or connected with the Premises during said term; and shall also promptly comply with and execute all rules, orders and regulations of the

New York Board of Fire Underwriters, or any other similar body, at the Tenant's own cost and expense.

USE OF PREMISES

Tenant may use the Demised Premises for a full and complete Bank Branch office, or for any other lawful purpose, so long as such lawful purpose does not violate any applicable law, and upon the condition precedent that such use does not compete with any other existing use of the Premises of which the Demised Premises form a part.

ASSIGNMENT AND SUBLEASE

Tenant may assign this Agreement or sublet the Premises, upon the condition precedent that the sub-lessee or assignee may not use the Demised Premises for any business that competes with a use then existing upon the Premises of which the Demised Premises form a part; however, in the event Tenant assigns the Lease, Tenant shall continue to remain liable hereunder. If Tenant assigns this Lease, Landlord when giving notice to the assignee or any future assignee with respect to any default, shall also serve a copy of such notice upon Tenant, and no notice of default shall be effective until a copy thereof is received by Tenant. Tenant shall have the same period after receipt of notice to cure such default as is given to such assignee under the terms of this Lease. Tenant shall have the option, to be exercised by notifying Landlord within thirty (30) days after receipt by Tenant of Landlord's notice, to cure any default and become Tenant under a new Lease for the remainder of the Term of this Lease upon all of the same terms and conditions as then remain under this

Lease as it may have been amended by agreement between Landlord and Tenant.

FIRE AND CASUALTY

(a) Tenant must give Landlord prompt notice of fire, accident, damage or dangerous or defective conditions. If the Premises cannot be used because of fire or other casualty, Tenant shall not be required to pay rent for the time the Premises are unusable. If part of the Premises cannot be used, Tenant must pay rent for the usable part, unless such part is too small to accommodate Tenant's business. Landlord shall have the right to decide which part of the Premises is usable. Landlord is not required to repair or replace any equipment, fixtures, furnishings or decorations unless originally installed by Landlord, unless such replacement is included in Landlord's insurance recovery. Landlord is not responsible for delays due to settling insurance claims, obtaining estimates, labor and supply problems or any other cause not fully under Landlord's control.

(b) In the event of any damage or destruction by fire, casualty or other causes (hereinafter refined to as "Destruction") to all or any part of the Demised Premises, including but not limited to, the Common Area, Landlord shall commence promptly to restore the same to substantially the same condition as existed immediately preceding the Destruction. If Destruction is partial, Landlord shall complete restoration within ninety (90) days after the Destruction. If the Destruction is total, Landlord shall complete the restoration within one hundred eighty (180) days after the Destruction.

If, the result of any Destruction, fifty percent (50%) or more of the total floor area of the Demised Premises is damaged, destroyed, or in Tenant's reasonable opinion, rendered untenable, and less than two (2) years remain

under the term of this Lease, Landlord or Tenant may elect to terminate this Lease by giving notice to the other of such election on or before the date which is ninety (90) days after the Destruction, stating the date of termination, which shall not be more than thirty (30) days after the date of which such notice of termination shall have been given, and (1) upon the date specified in such notice, this Lease and the term hereof shall cease and expire, and (2) any base rent and additional rents and other charges paid for a period after the date of Destruction shall be apportioned as of the date and refunded promptly to Tenant.

LANDLORD'S ACCESS TO PREMISES

(a) Tenant agrees that Landlord and the Landlord's agents and other representatives shall have the right to enter into and upon the Premises, or any part thereof, at all reasonable hours for the purpose of examining the same, or making such repairs or alterations therein as may be necessary for the safety and preservation thereof. Reasonable hours for the purpose of this sub-paragraph shall be during the Tenant's normal business hours to the public, unless an emergency arises. In the event an emergency arises, Tenant agrees that its Branch Manager shall accompany Landlord or Landlord's agents upon any such entry.

(b) Tenant agrees to permit Landlord or the Landlord's agent to show the Premises to persons wishing to hire or purchase the same; and Tenant further agrees that on and after the sixth month, next preceding the expiration of the term hereby granted, Landlord or Landlord's agents shall have the right to place notices on the front of the Premises, or any part thereof, offering the

Premises "To Let" or "For Sale", and Tenant hereby agrees to permit the same to remain thereon without hindrance or molestation.

TENANT'S DEFAULT

- (a) If Tenant is in default as hereinafter set forth, Landlord may:
- (1) At any time thereafter terminate this Lease and the term thereof upon giving to Tenant ninety-six (96) hours notice in writing of the default and Landlord's intention to terminate this Lease, and upon giving such notice, unless Tenant cures said default within said period, this Lease and the term thereof shall terminate on the date fixed in such notice as if said date were the date originally fixed in this Lease for the termination or expiration thereof, and on such termination, Landlord may enter the Premises or any part thereof, either with or without process of law, and expel Tenant or any person occupying the Premises, using such force as may be reasonably necessary to do so; or
 - (2) Maintain an action for monies due and to become due to the end of the term of this Lease; or
 - (3) Relet the Premises or any part thereof, either in the name of Landlord or otherwise, for such term or terms as Landlord may determine, which may be more than or less than the period which otherwise would have constituted the balance of the term of this Lease, and in connection therewith, Landlord may grant concessions or free rent, or charge a lower rent than that in this Lease. Tenant shall pay to Landlord as liquidated damages any deficiency between the rent hereby reserved and the net amount of the rent received, if any, after deducting for legal expenses, attorneys' fees, brokerage, advertising, for keeping the Demised Premises in good order and for preparing the same for reletting and for any other expense incurred in reletting the Premises. The failure or refusal of Landlord to relet the Premises or any part or parts thereof shall not release or affect Tenant's liability for damages; or
 - (4) Exercise any other legal right or remedy available to Landlord under law.

(b) If any default shall occur, other than in the payment of money, which cannot with due diligence be cured within a period of ninety-six (96) hours, and Tenant, prior to the expiration of such period, commences to

eliminate the cause of such default and proceeds diligently to cure such default, subject to the force majeure provisions hereinafter defined, and such default is thereafter cured, Landlord shall not have the right to exercise any of its rights or remedies hereunder.

(c) All rights herein given to Landlord for the recovery of the Premises or for money damages because of the default of Tenant are hereby reserved and conferred upon Landlord as distinct, separation, and cumulative remedies, and no one of the, whether exercised by Landlord or not, shall be deemed to be in exclusion of any other right or remedy which Landlord may have at law or in equity.

(d) Tenant shall be considered in default hereunder upon the happening of any of the following events:

- (1) Tenant shall fail to pay the rent or any part thereof or any other financial obligation of Tenant to Landlord.
- (2) Tenant shall default in the performance of any of the covenants and agreements in this Lease contained on the part of Tenant to be kept and performed.
- (3) Tenant shall fail to comply with any of the statutes, ordinances, rules, orders, regulations and requirements of the federal, state and local government, or of any and all of their departments and bureaus, or of the Board of Fire Underwriters, applicable to the Premises.
- (4) Proceedings in Bankruptcy shall be instituted by or against Tenant which result in any adjudication of bankruptcy, or if Tenant shall file or any creditor of Tenant shall file, or any other person or persons shall file any Petition under the Bankruptcy Laws of the United States, as the same are now in force or may hereafter be amended, and Tenant be adjudicated a bankrupt, or if a receiver of the business or assets of Tenant be appointed and such appointment not be vacated within sixty (60) days after notice thereof to Tenant, or the Tenant makes an assignment for the benefit of creditors, or any sheriff, marshall, constable or keeper

takes possession thereof by virtue of any attachment of execution proceedings and offers same for sale publicly.

DAMAGE TO PREMISES

Tenant shall replace, at the expense of Tenant, any and all broken glass in and about the Premises. Tenant shall insure, and keep insured, all plate glass in the Premises for and in the name of Landlord. Damage and injury to the Premises, caused by the carelessness, negligence or improper conduct on the part of Tenant or Tenant's agents or employees shall be repaired as speedily as possible by the Tenant at the Tenant's own cost and expense.

ACCESS TO PREMISES

Tenant shall neither encumber nor obstruct the sidewalk in front of, entrance to, or halls and stairs of the Premises, nor allow the same to be obstructed or encumbered in any manner.

SIGNS

Tenant shall neither place, or cause or allow to be placed, any sign or signs of any kind whatsoever at, in or about the entrance to the Premises or any other part of same, except in or at such place or places as may be indicated by the Landlord and consented to by the Landlord in writing. Landlord acknowledges that Tenant shall be entitled, at its expense, to erect and maintain the signs as are described in Exhibit "B" attached hereto during the term and all renewals, and Landlord consents to the size and/or placement of such signs. In the event that Landlord or the Landlord's representatives shall deem it necessary to remove any such sign or signs in order to paint the Premises or the Building or make any other repairs, alterations or improvements in or upon the

the Premises or Building or any part thereof, Landlord shall have the right to do so, providing the same be removed and replaced at Landlord's expense, whenever the said repairs, alterations or improvements shall be completed.

EXEMPTION FROM LIABILITY

Landlord is exempt from any and all liability for any damage or injury to person or property caused by or resulting from steam, electricity, gas, water, rain, ice or snow, or any leak or flow from or into any part of the Building or from any damage or injury resulting or arising from any other cause or happening whatsoever unless said damage or injury be caused by or be due to the negligence of Landlord.

SUBORDINATION TO MORTGAGES

This instrument shall not be a lien against the Premises in respect to any mortgages that are now on or that hereafter may be placed against the Premises, and that the recording of such mortgage or mortgages shall have preference and precedence and be superior and prior in lien of this Lease, irrespective of the date of recording and Tenant agrees to execute without cost, any such instrument which may be deemed necessary or desirable to further effect the subordination of this Lease to any such mortgage or mortgages, and a refusal to execute such instrument shall entitle Landlord, or Landlord's assigns and legal representatives to the option of canceling this Lease without incurring any expense or damage and the term hereby granted is expressly limited accordingly. Nothing herein shall prevent Tenant from enjoyment and possession of the Premises upon payment of the rent as it becomes due and owing and

performance of all the covenants herein.

As a condition of such subordination, the Lender shall execute and deliver to Tenant a non-disturbance agreement. The non-disturbance agreement shall include lender's agreement that the Lease and renewal terms thereof shall not be cut off, nor shall Tenant's possession and any rights of Tenant under the Lease be disturbed by any proceedings taken by reason of default of the mortgage, so long as there shall be no default by Tenant under the Lease existing for a period of time by reason of which Landlord would be entitled to terminate the Lease.

Tenant will, upon the request of a lender signing such non-disturbance agreement, agree that if such lender succeeds to the interest of Landlord, Tenant will attorn to and recognize such lender as its Landlord under the terms of this Lease so as to establish direct privity between lender and Tenant.

NO WAIVER OF RIGHTS

The failure of Landlord to insist upon a strict performance of any of the terms, conditions and covenants herein, shall not be deemed a waiver of any rights or remedies that Landlord may have, and shall not be deemed a waiver of any subsequent breach or default in the terms, conditions and covenants herein contained. This instrument may not be changed, modified, discharged, or terminated orally.

EMINENT DOMAIN

If the whole or any substantial part of the Premises shall be acquired or condemned by Eminent Domain or by deed in lieu thereof, for any public or quasi public use or purpose, then and in that event, the term of this Lease

shall cease and terminate from the date of title vesting in such proceeding and Tenant shall have no claim against Landlord for the value of any unexpired term of this Lease. No part of any award shall belong to Tenant. Tenant shall, however, have the right to proceed independently against the condemning authority for the cost of relocation and fixtures owned by Tenant upon the expiration of the term.

REMOVAL OF TRADE FIXTURES

If after default in payment of rent or violation of any other provision of this Lease, or upon the expiration of this Lease, the Tenant moves out or is dispossessed and fails to remove any trade fixtures or other property prior to such said default, removal, expiration of Lease, or prior to the issuance of the final order or execution of the warrant, then and in that event, the said fixtures and property shall at Landlord's election either be deemed abandoned by Tenant and shall become the property of Landlord or removed by Landlord at Tenant's expense.

CONTINUED LIABILITY FOR RENT

In the event that the relation of Landlord and Tenant may cease or terminate by reason of the re-entry of Landlord under the terms and covenants contained in this Lease or by the ejectment of Tenant by summary proceedings or otherwise, or after the abandonment of the Premises by Tenant, it is hereby agreed that Tenant shall remain liable and shall pay in monthly payments the rent which accrues subsequent to the re-entry by Landlord, and Tenant expressly agrees to pay as damages for the breach of the covenants herein contained, the difference between the rent reserved and the rent collected and received, if any, by Landlord during the remainder of the unexpired term, such difference or

deficiency between the rent herein reserved and the rent collected if any, shall become due and payable, in monthly payments during the remainder of the unexpired term, as the amounts of such difference or deficiency shall from time to time be ascertained; and it is mutually agreed between Landlord and Tenant that the respective parties hereto shall and hereby do waive trial by jury in any action, proceeding or counterclaim brought by either of the parties against the other on any matters whatsoever arising out of or in any way connected with this Lease, Tenant's use or occupancy of said Premises, and/or any claim by injury or damage.

WAIVER OF RIGHTS TO REDEEM

Tenant waives all rights to redeem under any law of the State of New York.

GOVERNMENTAL PREEMPTION

This Lease and the obligation of Tenant to pay rent hereunder and perform all of the other covenants and agreements hereunder on part of Tenant to be performed shall in no way be affected, impaired or excused because Landlord is unable to supply or is delayed in supplying any service expressly or impliedly to be supplied or is unable to make, or is delayed in making any repairs, additions, alterations or decorations or is unable to supply or is delayed in supplying any equipment or fixtures if Landlord is prevented or delayed from so doing by reason of governmental preemption in connection with a national emergency or in connection with any rule, order or regulation of any department or subdivision thereof of any governmental agency or by reason of the

condition of supply and demand which have been or are affected by war or other emergency.

NO ABATEMENT OR DIMINUTION OF RENT

No diminution or abatement of rent, or other compensation, shall be claimed or allowed for inconvenience or discomfort arising from the making of repairs or improvements to the building or to its appliances, nor for any space taken to comply with any law, ordinance or order of a governmental authority. In respect to the various "services", if any, herein expressly or impliedly agreed to be furnished by Landlord to Tenant, it is agreed that there shall be no diminution or abatement of the rent, or any other compensation, for interruption or curtailment of such "service" when such interruption or curtailment shall be due to accident, alterations or repairs desirable or necessary to be made or to inability or difficulty in securing suppliers or labor for the maintenance of such "service" or to some other cause, not negligence on the part of Landlord. No such interruption or curtailment of any such "service" shall be deemed a constructive eviction unless such interruption or curtailment of any such "service" shall be caused by the negligence of the Landlord, its agents, servants or employees, or a refusal of the Landlord to provide such services. Landlord shall not be required to furnish, and Tenant shall not be entitled to receive, any of such "services" during any period wherein Tenant shall be in default in respect to the payment of rent. Neither shall there be any abatement or diminution of rent because of making of repairs, improvements or decorations to the Demised Premises after the date above fixed for the commencement of the term, it being understood that rent shall, in any event, commence to run at such date so above fixed.

FAILURE TO DELIVER POSSESSION

Landlord shall not be liable for failure to give possession of the Demised Premises on the Rent Commencement Date by reason of the fact that the Premises are not Ready for Occupancy. The Rent shall not commence until the Premises are "Ready for Occupancy," or Tenant accepts delivery from Landlord in a condition which is not "Ready for Occupancy." The Rent shall not commence until the Rent Commencement Date, but the term herein shall not be extended.

INSURANCE

(a) Tenant shall provide and keep in effect during the term of this Lease for the benefit of Landlord and Tenant a policy for public liability insurance, property damage insurance and fire legal liability insurance with respect to the Premises covering both Tenant and Landlord in the minimum amount of at least \$1,000,000.00. Landlord shall be named as an additional insured on such policy.

(b) Tenant agrees to provide Landlord with certificates of insurance evidencing the coverage described in this paragraph containing a waiver of subrogation endorsement. Such certificate shall provide for ten (10) days' prior written notice to Landlord in the event of cancellation, modification, termination or non-renewal.

(c) The Landlord, during the term of this lease, will insure and keep insured against damage by fire in a full replacement value policy all buildings erected on the Demised Premises including loss of rent insurance. Tenant shall immediately pay Landlord for its thirty percent (30%) share of the

cost of said insurance upon receipt of a statement from Landlord showing the amount due.

Landlord shall have no responsibility to provide insurance coverage for the personal property, equipment or furnishings of Tenant, its employees, contractors or agents or for Tenant's business interruption and Landlord shall have no responsibility for loss of or damage to any such personal property, equipment, furnishings or business interruption.

(d) Landlord shall provide and keep in effect during the term of this Lease, a policy for public liability insurance, with respect to the property of which the Premises are a part, naming the Tenant as an additional named insured, in the minimum amount of at least One Million Dollars (\$1,000,000.00). Landlord agrees to provide Tenant with Certificates of Insurance evidencing the coverage described herein. Such Certificates shall provide for ten (10) days prior written notice to Tenant in the event of cancellation, modification, termination or non-renewal.

Landlord agrees to indemnify and hold Tenant harmless from any losses suffered by Tenant as a result of Landlord's failure to obtain such insurance or should Landlord permit said insurance to lapse.

INDEMNIFICATION

Tenant agrees to indemnify and hold harmless Landlord of and from all claims, demands, and other actions arising out of the operation of the business of Tenant at the Premises or by reason of any violations or non-performance of any provision, covenant, or condition on the part of Tenant or its agents, employees, or invitees, or by reason of any act or omission on the part of Tenant or its agents, employees, or invitees.

LIMITATION ON TENANT'S REMEDIES

Notwithstanding anything to the contrary provided in this Lease, it is specifically understood and agreed that there shall be absolutely no personal liability on the part of the Landlord, its successors and assigns, with respect to any of the terms, covenants, and conditions of this Lease, and Tenant shall look solely to the equity of Landlord in the Premises for satisfaction of each and every remedy of Tenant in the event of any breach by Landlord of any of the terms, covenants, and conditions of this Lease to be performed by Landlord, such exculpation of liability to be absolute and without exception whatsoever.

ENVIRONMENTAL

(a) As used herein, "Environmental Laws" means all federal, state, local, environmental, health and safety laws, codes and ordinances and all rules and regulations promulgated thereunder, including, without limitation laws relating to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment (including, without limitations, air,

surface water, ground water, land surface or subsurface strata) or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, chemicals or industrial, solid, toxic or hazardous substances or wastes. As used in this Agreement, the term "Hazardous Substances" includes, without limitations, (i) all substances which are designated pursuant to Section 311(b)(2)(A) of the Federal Water Pollution Control Act ("FWPCA"), 33 U.S.C. Section 1251, et seq.; (ii) any element, compound, mixture, solution, or substance which is designated pursuant to Section 102 of the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 U.S.C. Section 9601 et seq.; (iii) any hazardous waste having the characteristics which are identified under or listed pursuant to Section 3001 of the Resource Conservation and Recovery Act ("RCRA"), 42 U.S.C. Section 6901 et seq.; (iv) any toxic pollutant listed under Section 307(a) of the FWPCA; (v) any hazardous air pollutant which is listed under Section 112 of the Clean Air Act, 42 U.S.C. Section 7401 et seq.; (vi) any imminently hazardous chemical substance or mixture with respect to which action has been taken pursuant to Section 7 of the Toxic Substances Control Act, 15 U.S.C. Section 2601 et seq.; and (vii) petroleum and waste oil.

(b) Tenant shall comply with all Environmental Laws and regulations applicable to Tenant's use and/or activities at the Leased Premises.

(c) Tenant agrees to defend, indemnify and hold harmless the Landlord from any and all claims, damages, fines, judgments, penalties, costs, liabilities, or losses (including, without limitation, any and all sums paid for settlement of claims, attorneys' fees, consultant, and expert fees) arising during or after the lease term from or in connection with the presence or suspected presence of

Hazardous Substances in or on the Premises, which are present as a result of any negligence, misconduct, or other acts of Tenant, Tenant's agents, employees, contractors, or invitees. Without limitation of the foregoing, this indemnification shall include any and all costs incurred due to any investigation of the site or any cleanup, removal, or restoration mandated by a federal, state, or local agency or political subdivision, which are present as a result of any negligence, misconduct or other acts of Tenant, Tenant's agents, employees, contractors, or invitees.

(d) Landlord shall provide and keep in effect during the term of this Lease a policy of environmental liability insurance with respect to the property of which the Premises are a part naming the Tenant as an additional insured in the minimum amount of at least One Million Dollars (\$1,000,000.00). Landlord agrees to provide Tenant with a Certificate of Insurance evidencing the coverage described herein. Such Certificate shall provide for ten (10) days prior written notice to Tenant in the event of cancellation, modification, termination or non-renewal. In the event of Landlord's failure to obtain such insurance or should Landlord permit said insurance to lapse, Landlord agrees to defend, indemnify and hold harmless the Tenant from any and all claims, damages, fines, judgments, penalties, costs, liabilities, or losses (including, without limitation, any and all sums paid for settlement of claims, attorneys' fees, consultant, and expert fees) arising during or after the lease term from or in connection with the presence or suspected presence of Hazardous Substances in or on the Premises. Without limitations of the foregoing, this indemnification and covenant to provide insurance shall include any and all costs incurred due to any investigation of the site or any cleanup, removal, or restoration mandated by a federal, state, or local agency or political subdivision, which are present

as a result of any negligence, misconduct or other acts of Landlord, Landlord's agents, employees, contractors, or invitees.

LATE FEE

In the event Tenant is late in the payment of rent or other sums of money required to be paid under this Lease, Tenant agrees to pay Landlord a late charge of \$.04 for each dollar of each payment ten (10) days or more in arrears. Said payment shall be to cover extra expenses incurred by Landlord in handling delinquent payments. The provisions of this paragraph are cumulative and shall in no way restrict the other remedies available to Landlord.

QUIET ENJOYMENT OF PREMISES

Landlord covenants that Tenant on paying the said yearly rent, and performing the covenants aforesaid, shall and may peacefully and quietly have, hold and enjoy the Premises for the term aforesaid.

REPRESENTATIONS AND WARRANTIES

As a material inducement for Tenant to enter into this Lease, Landlord warrants, represents and covenants to Tenant as follows:

(a) Landlord has lawful title and the right to enter into this Lease for the term aforesaid and will provide Tenant with evidence thereof prior to the time at which Tenant takes possession of the Premises, and will put Tenant into complete and exclusive possession of the Premises, including joint use of the Common Area, free from all orders, restrictions, and notices of any public or quasi-public authority.

(b) The entrances and exits to and from the Premises of which the Demised Premises form a part shall not be altered or changed without the prior written consent of Tenant.

(c) The entire Premises of which the Demised Premises form a part are owned by Landlord in fee simple title and are free and clear of any and all encumbrances excepting real estate taxes and assessments for the current year and thereafter which are assumed and will be paid by Landlord as they become due and payable.

(d) With respect to any mortgage or other encumbrance now or hereafter encumbering the Premises or any portion thereof, Landlord shall within thirty (30) days of the date, thereof, or the filing of such encumbrance, whichever is later, provide Tenant with a non-disturbance agreement executed by the holder thereof and Landlord.

(e) During the term of this Lease, Landlord shall not lease any portion of the property of which the Premises are a part to a bank other than Tenant, nor will Landlord permit said property to be used as a banking facility or rent, occupy, suffer, or permit to be occupied any other premises owned or controlled, directly or indirectly, by Landlord, its successors or assigns, which are within the Village of Oxford, New York for the purpose of conducting therein, or for use as a banking facility, and further that if Landlord owns any land or hereafter during the term of this Lease acquires any land within the Village of Oxford, Landlord will not convey said property within imposing thereon a restriction to secure compliance with the foregoing restriction in the use thereof.

(f) This Lease has been entered into by Tenant in reliance upon the foregoing representations and warranties of Landlord. In the event of a breach of this section, in addition to any other remedies available to Tenant,

Tenant shall be entitled at its option to cancel this Lease or seek specific performance, of the obligations contained herein.

(g) During the term of this Lease, Tenant shall not lease, rent, occupy, suffer or permit to be occupied the premises owned by Tenant known as the Bank Building, Village of Oxford, New York for the purpose of conducting therein, or for the retail sale of petroleum products or as a convenience store. Tenant also agrees that it will not convey said property without imposing thereon a restriction to secure compliance with the foregoing restriction in the use thereof.

OBSTRUCTIONS

Landlord shall not permit anything to be done upon the Premises of which the Demised Premises form a part which (a) obstructs the free passage of vehicles on the Common Area to and from the drive-thru facility of the Tenant; (b) obstructs the entrance doors to Tenant's building on the Demised Premises; (c) obstructs or changes the exits or entrances to the Demised Premises, except as may be duly required by governmental authority; (d) obstructs or in any way changes the Common Area.

CESSATION OF BUSINESS

Tenant may at any time cease operation of its business upon the Demised Premises and Tenant's sole and exclusive liability hereunder shall be limited to the rent, real estate taxes, and any other obligations of the Tenant hereunder. If Tenant closes the Bank to the general public for 120 consecutive days, for reasons other than repair, restoration, remodeling, casualty, eminent domain, assignment, sub-letting, and/or governmental required closure, Landlord shall

have the option, to be exercised within thirty (30) days after said 120 consecutive days following Tenant's cessation of business, to terminate this Lease upon thirty (30) days written notice to Tenant. If Tenant elects to terminate this Lease, Tenant shall surrender the Demised Premises, as herein provided, and shall be released and relieved of any and all further obligations hereunder effective as of the date of Lease termination.

MEMORANDUM OF LEASE

The parties agree to execute and deliver within ten (10) days of its receipt, at the request of either party hereto, a Memorandum of Lease suitable for recording, containing such matters as they may deem appropriate.

FORCE MAJEURE

If either party shall be delayed or hindered in or prevented from the timely performance of its obligations under this Lease, by reason of failure of power, riots, insurrections, war, national emergency, or Acts of God, then performance of such obligations shall be excused for the period of such delay and the period granted herein for the performance of such act shall be extended for a period equivalent of such delay.

APPROVALS

The commencement of this Lease is contingent upon the Tenant obtaining approval of the location and facility from the Controller of the Currency of the United States of America within a period of sixty (60) days from execution of the Lease. In the event the Tenant has promptly filed such application and is diligently pursuing the application, if not approved within such sixty (60) day

period. Tenant shall have two (2) additional periods of thirty (30) days each to continue the application process.

RIGHT OF FIRST REFUSAL

Should the Landlord during the term or any renewal or extension thereof, elect to sell the Premises of which the Demised Premises form a part, the Tenant shall have the right of first refusal to meet any bonafide offer of sale upon the same terms and conditions of such offer, Landlord shall submit a written copy of such offer to Tenant, giving Tenant thirty (30) days within which to elect to meet such offer. If Tenant elects to meet the offer, it shall give Landlord written notice thereof, and the closing thereof shall be held within ninety (90) days thereafter, whereupon Landlord shall convey to Tenant good and marketable title to the Premises in fee simple absolute, free and clear of all liens, encumbrances and restrictions.

In the event the Tenant fails to meet such bonafide offer within the time set forth herein after notice from the Landlord, the Landlord shall be free to sell the Premises to such third person in accordance with the terms and conditions of the offer.

In the event the Landlord does not sell the Premises to such third person, then and in such event, the right of first refusal shall continue during the term of this Lease and any renewals or extensions thereof.

CONFIDENTIALITY

Landlord and Tenant agree not to disclose the fact that they have entered into this Lease until such time as they have mutually agreed to a news release announcing the details of this Lease and shall have also agreed to the time and date when such release is to be made public.

NEW YORK LAW

This Lease shall be construed in accordance with the laws of the State of New York without regard to conflict of law principles.

HEADINGS

The headings used herein are for convenience only and shall not be deemed to be part of this Agreement. These headings shall be of no legal significance.

NOTICES

All notices, requests, demands or other communications with respect to this Lease, whether or not herein expressly provided for, shall be in writing and shall be deemed to have been duly given when mailed by United States First-Class, certified or registered mail, postage prepaid, return receipt requested, to the parties at their respective addresses as first above written. Notice to Landlord shall include also the mailing of a copy thereof to its counsel, Hinman, Howard & Kattell, LLP (John G. Dowd, Esq.), 700 Security Mutual Building, 80 Exchange Street, Binghamton, New York 13901-3490.

Miscellaneous

It is mutually understood and agreed that the covenants and agreements contained in the within Lease shall be binding upon the parties hereto and upon their respective successors, heirs, executors and administrators. If any term or provision of this Lease shall to any extent be held invalid or enforceable, the remaining terms and provisions of this Lease shall be valid and be enforced to the fullest extent permitted by law. This instrument contains the entire agreement made between the parties and may not be modified orally or in any manner other than by an agreement in writing, signed by all the parties hereto, or their respective successors in interest.

IN WITNESS WHEREOF, the parties have set their hands and seals (or caused these presents to be signed by their proper corporate officers and caused their proper corporate seal to be hereto affixed) this 6th day of November, 1997.

Signed, sealed and delivered in the presence of

JAMES MIRABITO & SONS, INC.

By /s/Joseph P. Mirabito
Title President

NBT BANK, N.A.

By /s/Marty Dietrich
Title S.V.P.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM NBT BANCORP INC'S FORM 10-Q FOR THE PERIOD ENDED MARCH 31, 1998, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO FINANCIAL STATEMENTS

	1,000	
	U.S.Dollars	
		3-MOS
		DEC-31-1998
		JAN-1-1998
		MAR-31-1998
		1
	5,028	34,680
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432,997		
	36,035	
	36,034	
		748,386
		11,984
	1,289,299	
		1,039,050
		106,563
	6,642	
		10,180
		0
		0
		9,430
		117,434
1,289,299		
		17,038
		8,165
		53
		25,256
		9,491
		11,221
	14,035	
		1,100
		218
		9,402
		6,101
5,072		
		0
		0
		5,072
		0.56
		0.55
		4.75
		5,823
		900
		0
		29,126
		11,582
		886
		188
		11,984
	8,469	
		0
3,515		