

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

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2001

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 or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

52 SOUTH BROAD STREET	13815
NORWICH, NEW YORK	(Zip Code)

(Address of principal executive office)

(607) 337-2265
(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT: NONE
SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:
COMMON STOCK (\$0.01 PAR VALUE PER SHARE)
STOCK PURCHASE RIGHTS PURSUANT TO STOCKHOLDERS RIGHTS PLAN

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

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

Based upon the closing price of the registrant's common stock as of February 28, 2002, the aggregate market value of the voting stock, common stock, par value, \$0.01 per share, held by non-affiliates of the registrant is \$454,660,456. There were no shares of the registrant's preferred stock, par value \$0.01 per share, outstanding at that date. Rights to purchase shares of the registrant's preferred stock Series R are attached to the shares of the registrant's common stock.

The number of shares Common Stock outstanding as of February 28, 2002, was 33,198,072

Documents Incorporated by Reference

Portions of registrant's definitive Proxy Statement for the Registrant's Annual Meeting of Stockholders to be held on May 2, 2002 are incorporated by reference into Part III, Items 10, 11, 12 and 13 of this Form 10-K.

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	There have been no changes in or disagreements with accountants on accounting and financial disclosures.	

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		(a)(1) Financial Statements (See Item 8 for Reference).	
		(2) Financial Statement Schedules normally required on Form 10-K are omitted since they are not applicable.	
		(3) Exhibits have been filed separately with the Commission and are available upon written request.	
		(b) Reports on Form 8-K.	93-94
		(c) Refer to item 14(a)(3) above.	
		(d) Refer to item 14(a)(2) above.	

* Information called for by Part III (Items 10 through 13) is incorporated by reference to the Registrant's Proxy Statement for the 2002 Annual Meeting of Stockholders filed with the Securities and Exchange Commission.

PART I

ITEM 1. BUSINESS

NBT Bancorp Inc. (the "Registrant" or the "Company") is a registered financial holding company incorporated in the state of Delaware in 1986, with its principal headquarters located in Norwich, New York. The Registrant is the parent holding company of NBT Bank, N.A. ("the Bank"), NBT Financial Services, Inc. ("NBT Financial"), and CNBF Capital Trust I (see Note 10 to the Notes to Consolidated Financial Statements). Through these subsidiaries, the Company operates as one segment focused on community banking operations. The Registrant's primary business consists of providing commercial banking and financial services to its customers in its market area. The principal assets of the Registrant are all of the outstanding shares of common stock of its direct subsidiaries, and its principal sources of revenue are the management fees and dividends it receives from the Bank and NBT Financial.

The operating subsidiaries of the Company are the Bank and NBT Financial. The Bank is a full service commercial bank formed in 1856, which provides a broad range of financial products to individuals, corporations and municipalities throughout its Central and Upstate New York and Northeastern Pennsylvania market area. The Bank conducts business through three operating divisions, NBT Bank, Pennstar Bank and Central National Bank.

The NBT Bank division has 42 divisional offices and 67 automated teller machines (ATMs), located primarily in central and upstate New York. At December 31, 2001, NBT Bank had total loans of \$1.2 billion and total deposits of \$1.3 billion.

The Pennstar Bank division has 41 divisional offices and 51 ATMs, located primarily in northeastern Pennsylvania. At December 31, 2001, Pennstar Bank had total loans and leases of \$616.6 million and total deposits of \$773.0 million.

The Central National Bank division has 29 divisional offices and 24 ATMs located primarily in upstate New York. At December 31, 2001, Central National Bank had total loans and leases of \$540.6 million and total deposits of \$824.9 million.

The Bank has six operating subsidiaries, NBT Capital Corp., LA Lease, Inc., Pennstar Realty Trust, CNB Realty, Inc., Colonial Financial Services, Inc. ("CFS"), and Central Asset Management, Inc. ("CAM"). NBT Capital Corp., formed in 1998, is a venture capital corporation formed to assist young businesses develop and grow in the markets we serve. LA Lease, Inc., formed in 1987, provides automobile and equipment leases to individuals and small business entities. LA Lease, Inc. will be dissolved in the first half of 2002 and the Bank will assume its operations. Pennstar Realty Trust, formed in 2000, is a real estate investment trust. CNB Realty, Inc. formed in 1998, is a real estate investment trust. CFS, formed in 2001, offers a variety of financial services products. The Company intends to transfer ownership of CFS from the Bank to NBT Financial in the first half of 2002. CAM, formed in 1996, offers investment management services for a fee to a focused customer base of high net worth individuals and businesses. CAM will be dissolved in the first half of 2002 and the Bank will assume its operations.

NBT Financial, formed in 1999, is the parent company of two operating subsidiaries, Pennstar Financial Services, Inc. and M. Griffith, Inc. Pennstar Financial Services, Inc., formed in 1997, offers a variety of financial services products. M. Griffith, Inc., formed in 1951, is a registered securities broker-dealer which also offers financial and retirement planning as well as life, accident and health insurance.

Acquisitions

To remain competitive in the rapidly changing financial services industry, the Company has expanded the breadth of its market area by acquiring other banking organizations and select niche financial services companies. In addition, the Company has selectively opened key new businesses that expand our product offerings. The following provides a chronological listing of mergers and acquisitions that we have completed since January 1, 2000:

Date of transaction	Entity/Branches	Former bank holding company	Transaction type
February 17, 2000	LA Bank, N.A.	Lake Ariel Bancorp, Inc.	(1)
May 5, 2000	M. Griffith, Inc.	N/A	(2)
June 2, 2000	2 branches from Mellon Bank	N/A	(2)
July 1, 2000	Pioneer American Bank, N.A	Pioneer American Holding Co. Corp.	(1)
November 10, 2000	6 branches from Sovereign Bank	N/A	(2)
June 1, 2001	The First National Bank of Northern New York	First National Bancorp, Inc.	(2)
September 14, 2001	Deposits of 1 branch of Mohawk Community Bank	N/A	(2)
November 8, 2001	Central National Bank	CNB Financial Corp.	(1)

- (1) Transaction was accounted for as a pooling-of-interests and, accordingly, all of our financial information for the periods prior to the acquisition has been restated as if the acquisitions had occurred at the beginning of the earliest reporting period presented.
- (2) Transaction accounted for using the purchase accounting method.

Upon completion of their respective mergers, LA Bank, N.A. and Pioneer American Bank, N.A. became wholly owned subsidiaries of the Registrant. LA Bank, N.A. changed its name on November 10, 2000 to Pennstar Bank, N.A. and on December 9, 2000, Pioneer American Bank, N.A. merged into Pennstar Bank, N.A. On March 16, 2001, Pennstar Bank, N.A. was merged into the Bank.

COMPETITION

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

SUPERVISION AND REGULATION

As a bank holding company, the Company is subject to extensive regulation, supervision, and examination by the Federal Reserve System ("FRS") as its primary federal regulator. The Company also has elected to be registered with the FRS as a financial holding company. The Bank, as a nationally chartered bank, is subject to extensive regulation, supervision, and examination by the Office of the Comptroller of the Currency ("OCC") as its primary federal regulator and, as to certain matters, by the FRS and the Federal Deposit Insurance Corporation ("FDIC"). M. Griffith, Inc. ("MGI") is registered as a broker-dealer and investment adviser and is subject to extensive regulation, supervision, and examination by the Securities and Exchange Commission ("SEC").

MGI also is a member of the National Association of Securities Dealers, Inc. and is subject to its regulation. MGI is authorized as well to engage as a broker, dealer, and underwriter of municipal securities, and as such is subject to regulation by the Municipal Securities Rulemaking Board. In addition, MGI and Colonial Financial Services, Inc., are licensed insurance agencies with offices in the state of New York and are subject to registration and supervision by the New York State Insurance Department. Pennstar Financial Services, Inc. is a licensed insurance agency with offices in the Commonwealth of Pennsylvania and is subject to registration and supervision by the Pennsylvania Insurance Department. CAM is a registered investment adviser and also is subject to extensive regulation, examination, and supervision by the SEC.

The Company is subject to capital adequacy guidelines of the FRS. The guidelines apply on a consolidated basis and require bank holding companies to maintain a minimum ratio of Tier 1 capital to total average assets (or "leverage ratio") of 4%. For the most highly rated bank holding companies, the minimum ratio is 3%. The FRS capital adequacy guidelines also require bank holding companies to maintain a minimum ratio of Tier 1 capital to risk-weighted assets of 4% and a minimum ratio of qualifying total capital to risk-weighted assets of 8%. As of December 31, 2001, the Company's leverage ratio was 6.34%, its ratio of Tier 1 capital to risk-weighted assets was 9.43%, and its ratio of qualifying total capital to risk weighted assets was 10.69%. The FRS may set higher minimum capital requirements for bank holding companies whose circumstances warrant it, such as companies anticipating significant growth or facing unusual risks. The FRS has not advised the Company of any specific capital requirement applicable to it.

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

The Bank is subject to leverage and risk-based capital requirements and minimum capital guidelines of the OCC that are similar to those applicable to the Company. As of December 31, 2001, the Bank was in compliance with all minimum capital requirements. The Bank's leverage ratio was 6.24%, its ratio of Tier 1 capital to risk-weighted assets was 9.28%, and its ratio of qualifying total capital to risk-weighted assets was 10.54%.

Under FDIC regulations, no FDIC-insured bank can accept brokered deposits unless it is well capitalized, or is adequately capitalized and receives a waiver from the FDIC. In addition, these regulations prohibit any bank that is not well capitalized from paying an interest rate on brokered deposits in excess of three-quarters of one percentage point over certain prevailing market rates.

The Bank also is subject to substantial regulatory restrictions on its ability to pay dividends to the Company. Under OCC regulations, the Bank may not pay a dividend, without prior OCC approval, if the total amount of all dividends declared during the calendar year, including the proposed dividend, exceed the sum of its retained net income to date during the calendar year and its retained net income over the preceding two years. The Bank's dividends to the Company over years 2000 and 2001 exceeded net income during those years. Therefore, the Bank's first quarter 2002 dividends exceeded the OCC dividend limitations, and the Bank requested and received OCC approval to pay this dividend to the Company. The Bank anticipates that it will require approval for its second quarter 2002 dividend as well. The Bank's ability to pay dividends also is subject to the Bank being in compliance with regulatory capital requirements. The Bank is currently in compliance with these requirements.

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

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

In the light of the then-prevailing favorable financial situation of the federal deposit insurance funds and the low number of depository institution failures, since January 1, 1997 the annual insurance premiums on bank deposits insured by the BIF or the SAIF have varied between \$0.00 per \$100 of deposits for banks classified in the highest capital and supervisory evaluation categories to \$0.27 per \$100 of deposits for banks classified in the lowest capital and supervisory evaluation categories. Recent increases in the amount of deposits subject to BIF FDIC insurance protection and in the number of bank failures, and the effect of low interest rates on the FDIC's return on the assets held in the BIF, have increased the likelihood that the annual insurance premiums on bank deposits insured by the BIF will increase in the second half of 2002 or thereafter. BIF and SAIF assessment rates are subject to semi-annual adjustment by the FDIC within a range of up to five basis points without public comment. The FDIC also possesses authority to impose special assessments from time to time.

The Deposit Insurance Funds Act provides for additional assessments to be imposed on insured depository institutions with respect to deposits insured by the BIF, as well as deposits insured by the SAIF, to pay for the cost of Financing Corporation ("FICO") funding. The FICO assessments are adjusted quarterly to reflect changes in the assessment bases of the FDIC insurance funds and do not vary depending upon a depository institution's capitalization or supervisory evaluations. During 2001, BIF-insured banks paid an average rate of approximately \$0.019 per \$100 for purposes of funding FICO bond obligations. The assessment rate for BIF member institutions has been set at approximately \$0.018 per \$100 annually for the first and second quarters of 2002.

Transactions between the Bank and any of its affiliates, including the Company, are governed by sections 23A and 23B of the Federal Reserve Act. An "affiliate" of a bank is any company or entity that controls, is controlled by, or is under common control with the bank. A subsidiary of a bank that is not also a depository institution is not treated as an affiliate of the bank for purposes of sections 23A and 23B, unless the subsidiary engages in activities that are not permissible for a bank to engage in directly. Generally, sections 23A and 23B limit the extent to which a bank or its subsidiaries may engage in covered transactions with any one affiliate and with all its affiliates in the aggregate, and require that all such transactions be on terms that are consistent with safe and sound banking practices.

The Gramm-Leach-Bliley Act amended the Bank Holding Company Act ("BHC Act") and, effective March 11, 2000, expanded the permissible activities of certain qualifying bank holding companies, known as financial holding companies. In addition to engaging in banking and activities closely related to banking, as determined by the FRS by regulation or order prior to November 11, 1999, financial holding companies may engage in activities that are financial in nature or incidental to financial activities, or activities that are complementary to a financial activity and do not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally.

Under the Gramm-Leach-Bliley Act, all financial institutions, including the Company and the Bank, were required, effective July 1, 2001, to develop privacy policies, restrict the sharing of nonpublic customer data with nonaffiliated parties at the customer's request, and establish procedures and practices to protect customer data from unauthorized access.

Under the International Money Laundering Abatement and Anti-Terrorism Financing Act of 2001, adopted as Title III of the USA PATRIOT Act and signed into law on October 26, 2001, all financial institutions, including the Company and the Bank, are subject to additional requirements to collect customer information, monitor customer transactions and report information to U.S. law enforcement agencies concerning customers and their transactions. In many cases, the specific requirements of the law will not be established until the Secretary of the Treasury adopts implementing regulations as directed or authorized by Congress. In general, accounts maintained by or on behalf of "non-United States persons," broadly defined, are subject to particular scrutiny. Correspondent accounts for or on behalf of foreign banks with

profiles that raise money laundering concerns are subject to even greater scrutiny, and correspondent accounts for or on behalf of "shell banks," defined as a foreign bank with no physical presence in any country, are barred altogether. Financial institutions must take "reasonable steps," subject to definition by the Secretary of the Treasury, to ensure that any correspondent accounts with permissible foreign banks are not used for the benefit of shell banks. The Secretary of the Treasury also is authorized to require financial institutions to take "special measures," including new customer identification, recordkeeping, and reporting requirements and transaction restrictions, if the financial institutions are involved with jurisdictions, financial institutions, or transactions of "primary money laundering concern" as determined by the Secretary. Additional information-sharing among financial institutions, regulators, and law enforcement authorities is encouraged by creating an exemption from the privacy provisions of the Gramm-Leach-Bliley Act for financial institutions that comply with this provision and authorizing the Secretary of the Treasury to adopt rules to further encourage cooperation and information-sharing. Upon request by an appropriate federal banking agency, a financial institution must provide or make available information about an account within 120 hours. All financial institutions also are required to establish internal anti-money laundering programs. The effectiveness of a financial institution in combating money laundering activities is a factor to be considered in any application submitted by the financial institution after December 31, 2001, under the Federal Deposit Insurance Act, which applies to the Bank, or the BHC Act, which applies to the Company.

EMPLOYEES

At December 31, 2001, the Company had 1,076 full-time employees and 190 part-time employees. The Company's employees are not presently represented by any collective bargaining group. The Company considers its employee relations to be good.

ITEM 2. PROPERTIES

The Company's headquarters are located at 52 South Broad Street, Norwich, New York 13815. The Company operated the following number of community banking branches and automated teller machines (ATMs) as of December 31, 2001:

New York State	Branches	ATMs

NBT BANK DIVISION		
Albany County	1	-
Broome County	3	5
Chenango County	11	14
Clinton County	3	2
Delaware County	5	9
Essex County	3	6
Franklin County	1	1
Fulton County	3	3
Greene County	-	2
Oneida County	5	8
Otsego County	2	9
St. Lawrence County	4	4
Sullivan County	-	1
Tioga County	1	2
Ulster	-	1
CENTRAL NATIONAL BANK DIVISION		
Chenango County	1	1
Fulton County	2	3
Herkimer County	2	1
Montgomery County	6	4
Oneida County	1	1
Otsego County	9	7
Saratoga County	3	3
Schenectady County	2	2
Schoharie County	3	2
PENNSTAR BANK DIVISION		
Orange County	1	1
Pennsylvania	Branches	ATMs

PENNSTAR BANK DIVISION		
Lackawanna County	20	20
Luzerne County	4	10
Monroe County	4	5
Pike County	3	3
Susquehanna County	6	8
Wayne County	3	4

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

ITEM 3. LEGAL PROCEEDINGS

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

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

- (a) A special meeting of the Company's shareholders was held on October 16, 2001.
- (b) Not applicable.
- (c) At the special meeting held on October 16, 2001, the Company's shareholders approved the issuance of the Company's common stock in connection with the acquisition of CNB Financial Corp. There were 15,132,892 votes cast for, 644,950 votes cast against, 180,137 abstentions and 8,641,521 broker non-votes.
- (d) Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

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

	HIGH	LOW	DIVIDEND
2000			
1st quarter	\$ 16.50	\$11.38	0.170
2nd quarter	14.50	9.38	0.170
3rd quarter	12.50	9.75	0.170
4th quarter	15.94	11.13	0.170
2001			
1st quarter	\$ 17.50	\$13.25	0.170
2nd quarter	25.42*	14.30	0.170
3rd quarter	17.30	13.50	0.170
4th quarter	15.99	12.55	0.170

* This price was reported on June 29, 2001, a day on which the Nasdaq Stock Market experienced computerized trading disruptions which, among other things, forced it to extend its regular trading session and cancel its late trading session. Subsequently the Nasdaq Stock Market recalculated and republished several closing stock prices (not including NBT Bancorp Inc., for which it had reported a closing price of \$19.30). Excluding trading on June 29, 2001, the high sales price for the quarter ended June 30, 2001 was \$16.75.

The closing price of the Common Stock on February 28, 2002 was \$14.05. The approximate number of holders of record of the Company's Common Stock on February 28, 2002 was 9,082.

ITEM 6. SELECTED FINANCIAL DATA

The following summary financial and other information about the Company is derived from the Company's audited consolidated financial statements for each of the five fiscal years ended December 31, 2001, 2000, 1999, 1998 and 1997:

FIVE YEAR SUMMARY OF SELECTED FINANCIAL DATA

(in thousands, except per share data)	2001	2000	1999	1998	1997
YEAR ENDED DECEMBER 31,					
Interest, fee and dividend income	\$ 255,434	\$ 260,381	\$ 220,849	\$ 210,970	\$ 195,973
Interest expense	117,502	133,003	102,876	100,870	91,614
Net interest income	137,932	127,378	117,973	110,100	104,359
Provision for loan losses	31,929	10,143	6,896	6,922	5,095
Noninterest income excluding securities gains	31,826	24,854	21,327	20,078	17,140
Securities gains (losses)	(7,692)	(2,273)	1,000	2,183	562
Merger, acquisition and reorganization costs	15,322	23,625	835	-	-
Other noninterest expense	110,536	95,509	83,944	81,108	72,971
Income before income taxes	4,279	20,682	48,625	44,331	43,995
Net income	3,737	14,154	32,592	34,576	29,854
PER COMMON SHARE*					
Basic earnings	\$ 0.11	\$ 0.44	\$ 1.01	\$ 1.07	\$ 0.95
Diluted earnings	0.11	0.44	1.00	1.05	0.93
Cash dividends paid **	0.68	0.68	0.66	0.59	0.42
Stock dividends distributed	-	-	5%	5%	5%
Book value at year-end	8.05	8.29	7.62	8.07	7.63
Tangible book value at year-end	6.51	6.88	6.74	7.75	7.33
Average diluted common shares outstanding	33,085	32,405	32,541	32,899	32,005
AT DECEMBER 31,					
Trading securities, at fair value	\$ 126	\$ 20,540	\$ -	\$ -	\$ 1,119
Securities available for sale, at fair value	909,341	936,757	994,492	709,905	752,786
Securities held to maturity, at amortized cost	101,604	110,415	113,318	294,119	231,158
Loans and leases	2,339,636	2,247,655	1,924,460	1,658,194	1,504,258
Allowance for loan losses	44,746	32,494	28,240	26,615	24,828
Assets	3,638,202	3,605,506	3,294,845	2,880,943	2,653,173
Deposits	2,915,612	2,843,868	2,573,335	2,292,449	2,126,748
Borrowings	394,344	425,233	429,924	303,021	257,153
Stockholders' equity	266,355	269,641	246,095	259,604	247,162
KEY RATIOS					
Return on average assets	0.10%	0.41%	1.07%	1.23%	1.17%
Return on average equity	1.32	5.57	12.66	13.59	13.65
Average equity to average assets	7.82	7.35	8.42	9.07	8.59
Net interest margin	4.19	4.02	4.23	4.30	4.51
Efficiency ***	62.89	60.92	59.18	60.94	58.36
Cash dividend per share payout	618.18	154.55	66.00	56.19	45.16
Tier 1 leverage	6.34	6.88	8.07	8.68	8.92
Tier 1 risk-based capital	9.43	9.85	12.49	13.73	14.48
Total risk-based capital	10.69	11.08	13.68	14.93	15.70

*All share and per share data has been restated to give retroactive effect to stock dividends, splits and poolings of interest.

**Cash dividends per share represent the historical cash dividends per share of NBT Bancorp Inc., adjusted to give retroactive effect to stock dividends.

***The efficiency ratio is computed as total non-interest expense (excluding merger, acquisition and reorganization costs as well as gains and losses on the sale of other real estate owned) divided by fully taxable equivalent net interest income plus non-interest income (excluding net security transactions).

 SELECTED QUARTERLY FINANCIAL DATA

(dollars in thousands, except per share data)	2001				2000			
	FIRST	SECOND	THIRD	FOURTH	First	Second	Third	Fourth
Interest, fee and dividend income	\$66,034	\$64,067	\$64,232	\$ 61,101	\$61,851	\$64,402	\$66,536	\$67,592
Interest expense	33,655	30,562	28,923	24,362	30,054	32,233	34,377	36,339
Net interest income	32,379	33,505	35,309	36,739	31,797	32,169	32,159	31,253
Provision for loan losses	1,211	6,872	9,188	14,658	1,874	2,665	1,949	3,655
Noninterest income excluding securities gains (losses)	8,654	7,476	8,078	7,618	5,302	6,094	6,506	6,952
Net securities gains (losses)	1,023	227	(2,327)	(6,615)	313	(639)	226	(2,173)
Noninterest expense	26,650	25,154	29,342	44,712	24,199	25,917	26,282	42,736
Net income (loss)	\$ 9,654	\$ 6,570	\$ 1,469	\$(13,956)	\$ 7,464	\$ 5,981	\$ 7,172	\$(6,463)
Basic earnings (loss) per share	\$ 0.30	\$ 0.20	\$ 0.04	\$ (0.42)	\$ 0.23	\$ 0.19	\$ 0.22	\$ (0.20)
Diluted earnings (loss) per share	\$ 0.30	\$ 0.20	\$ 0.04	\$ (0.42)	\$ 0.23	\$ 0.18	\$ 0.22	\$ (0.20)
Net interest margin	4.06%	4.10%	4.19%	4.39%	4.19%	4.10%	3.98%	3.81%
Return (loss) on average assets	1.10%	0.73%	0.16%	(1.51)%	0.90%	0.70%	0.82%	(0.72)%
Return (loss) on average equity	14.42%	9.42%	2.02%	(18.87)%	12.41%	9.69%	11.21%	(9.72)%
Average diluted common shares outstanding	32,702	33,112	33,500	32,999	32,256	32,433	32,532	32,396

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

GENERAL

The financial review which follows focuses on the factors affecting the consolidated financial condition and results of operations of NBT Bancorp Inc. (the "Registrant" or the "Company") and its wholly owned subsidiaries, NBT Bank, N.A. ("the Bank"), NBT Financial Services, Inc. ("NBT Financial"), and CNBF Capital Trust I during 2001 and, in summary form, the preceding two years. Collectively, the Registrant and its subsidiaries are referred to herein as "the Company." Net interest margin is presented in this discussion on a fully taxable equivalent (FTE) basis. Average balances discussed are daily averages unless otherwise described. The audited consolidated financial statements and related notes as of December 31, 2001 and 2000 and for each of the years in the three year period ended December 31, 2001 should be read in conjunction with this review. Amounts in prior period consolidated financial statements are reclassified whenever necessary to conform to the 2001 presentation.

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

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

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

FORWARD LOOKING STATEMENTS

Certain statements in this filing and future filings by the Company with the Securities and Exchange Commission, in the Company's press releases or other public or shareholder communications, or in oral statements made with the approval of an authorized executive officer, contain forward-looking statements, as defined in the Private Securities Litigation Reform Act. These statements may be identified by the use of phrases such as "anticipate," "believe," "expect," "forecasts," "projects," "will," "can," "would," "should," "could," "may", or other similar terms. There are a number of factors, many of which are beyond the Company's control that could cause actual results to differ materially from those contemplated by the forward looking statements. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, among others, the following possibilities: (1) competitive pressures among depository and other financial institutions may

increase significantly; (2) revenues may be lower than expected; (3) changes in the interest rate environment may reduce interest margins; (4) general economic conditions, either nationally or regionally, may be less favorable than expected, resulting in, among other things, a deterioration in credit quality and/or a reduced demand for credit; (5) legislative or regulatory changes, including changes in accounting standards, may adversely affect the businesses in which the Company is engaged; (6) costs or difficulties related to the integration of the businesses of the Company and its merger partners may be greater than expected; (7) expected cost savings associated with recent mergers and acquisitions may not be fully realized or realized within the expected time frames; (8) deposit attrition, customer loss, or revenue loss following recent mergers and acquisitions may be greater than expected; (9) competitors may have greater financial resources and develop products that enable such competitors to compete more successfully than the Company; and (10) adverse changes may occur in the securities markets or with respect to inflation.

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

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

MERGER AND ACQUISITION ACTIVITY

On June 1, 2001, the Company completed the acquisition of First National Bancorp, Inc. (FNB) whereby FNB was merged with and into NBT Bancorp Inc. At the same time FNB's subsidiary, First National Bank of Northern New York (FNB Bank) was merged into the Bank. The acquisition was accounted for using the purchase method. As such, both the assets and liabilities assumed have been recorded on the consolidated balance sheet of the Company at estimated fair value as of the date of acquisition and the results of operations are included in the Company's consolidated statement of income from the acquisition date forward. To complete the transaction, the Company issued approximately 1,075,000 shares of its common stock valued at \$16.0 million. Goodwill, representing the cost over net assets acquired, was approximately \$7.0 million and was being amortized prior to the adoption of SFAS No. 142 on January 1, 2002 on a straight-line basis based on a 20 year amortization period.

On September 14, 2001, the Company acquired \$14.4 million in deposits from Mohawk Community Bank. Unidentified intangible assets, accounted for in accordance with SFAS No. 72 and representing the excess of cost over net assets acquired, was \$665,000 and is being amortized over 15 years on a straight-line basis. Additionally, the Company identified \$119,000 of core deposit intangible assets.

On November 8, 2001, the Company, pursuant to a merger agreement dated June 18, 2001, completed its merger with CNB Financial Corp. (CNB) and its wholly owned subsidiary, Central National Bank (CNB Bank), whereby CNB was merged with and into the Company, and CNB Bank was merged with and into the Bank. CNB Bank then became a division of the Bank. In connection with the merger, CNB stockholders received 1.2 shares of the Company's common stock for each share of CNB stock and the Company issued approximately 8.9 million shares of common stock. The transaction is structured to be tax-free to shareholders of CNB and has been accounted for as a pooling-of-interests. Accordingly, these consolidated financial statements have been restated to present combined consolidated financial condition and results of operations of the Bank and CNB as if the merger had been in effect for all years presented. At September 30, 2001, CNB had consolidated assets of \$983.1 million, deposits of \$853.7 million and equity of \$62.8 million. CNB Bank operated 29 full service banking offices in nine upstate New York counties.

On February 17, 2000, the Company completed its merger with Lake Ariel Bancorp, Inc. (Lake Ariel) and its subsidiaries. In connection with the merger each issued and outstanding share of Lake Ariel exchanged for 0.9961 shares of the Company's common stock. The transaction resulted in the issuance of approximately 5.0 million shares of Company's common stock. Lake Ariel's commercial banking subsidiary was LA Bank, N.A.

On July 1, 2000, the Company completed its merger with Pioneer American Holding Company Corp. (Pioneer Holding Company) and its subsidiary. In connection with the merger, each issued and outstanding share of Pioneer Holding Company exchanged for 1.805 shares of the Company's common stock. The transaction resulted in the issuance of approximately 5.2 million shares of the Company's common stock. Pioneer Holding Company's commercial banking subsidiary was Pioneer American Bank, N.A.

The Lake Ariel and Pioneer Holding Company mergers qualified as tax-free exchanges and were accounted for as poolings-of-interests. Accordingly, these consolidated financial statements have been restated to present the combined consolidated financial condition and results of operations of all companies as if the mergers had been in effect for all years presented.

LA Bank, N.A. and Pioneer Bank N.A. were commercial banks headquartered in Northeast Pennsylvania with approximately \$570 million and \$420 million, respectively, in assets at December 31, 1999, and twenty-two and eighteen branch offices, respectively, in five counties. Immediately following the Lake Ariel and Pioneer Holding Company mergers described above, the Company was the surviving holding company for NBT Bank, LA Bank, N.A., Pioneer American Bank, N.A. and NBT Financial Services, Inc. On November 10, 2000, LA Bank, N.A. changed its name to Pennstar. On December 9, 2000, Pioneer American Bank, N.A. was merged into Pennstar. On March 16, 2001, Pennstar was merged with and into the Bank and became a division of the Bank.

On May 5, 2000, the Company consummated the acquisition of M. Griffith, Inc. a Utica, New York based securities firm offering investment, financial advisory and asset-management services, primarily in the Mohawk Valley region. At that time, M. Griffith, Inc., a full-service broker/dealer and a Registered Investment Advisor, became a wholly-owned subsidiary of NBT Financial. The acquisition was accounted for using the purchase method. As such, both the assets acquired and liabilities assumed have been recorded on the consolidated balance sheet of the Company at estimated fair value as of the date of acquisition. M. Griffith, Inc.'s, results of operations are included in the Company's consolidated statement of income from the date of acquisition forward. To complete the transaction, the Company issued approximately 421,000 shares of its common stock, valued at \$4.8 million. Goodwill, representing the cost over net assets acquired, was \$3.4 million and was being amortized prior to the adoption of SFAS No. 142 on January 1, 2002 over fifteen years on a straight-line basis.

On June 2, 2000, Pennstar, purchased two branches from Mellon Bank. Deposits from the Mellon Bank branches were approximately \$36.7 million, including accrued interest payable. In addition, the Company received approximately \$32.2 million in cash as consideration for net liabilities assumed. The acquisition was accounted for using the purchase method. As such, both the assets acquired and liabilities assumed have been recorded on the consolidated balance sheet of the Company at estimated fair value as of the date of the acquisition. Unidentified intangible assets, accounted for in accordance with SFAS No. 72, and representing the excess of cost over net assets acquired, was \$4.3 million and is being amortized over 15 years on the straight-line basis. The branches' results of operations are included in the Company's consolidated statement of income from the date of acquisition forward.

On November 10, 2000, Pennstar purchased six branches from Sovereign Bank. Deposits from the Sovereign Bank branches were approximately \$96.8 million, including accrued interest payable. Pennstar also purchased commercial loans associated with the branches with a net book balance of \$42.4 million. In addition, the Company received \$40.9 million in cash consideration for net liabilities assumed. The acquisition was accounted for using the purchase method. As such, both the assets acquired and liabilities assumed have been recorded on the consolidated balance sheet of the Company at estimated fair value as of the date of the acquisition. Unidentified intangible assets, accounted for in accordance with SFAS No. 72, and representing the excess of cost over net assets acquired, was \$12.7 million and is being amortized over 15 years on a straight-line basis. The branches' results of operations are included in the Company's consolidated statement of income from the date of acquisition forward.

In August 1999, CNB purchased five branches from Astoria Federal Savings and Loan Association (Astoria). Deposits from the Astoria branches were approximately \$156.5 million, including accrued interest payable. CNB also purchased approximately \$3.7 million in branch related assets, primarily the

real and personal property associated with the branches, cash at the branches, as well as a limited amount of deposit related loans. In addition, CNB received \$133.9 million in cash in consideration for net liabilities assumed. The acquisition was accounted for using the purchase method. As such, both the assets acquired and liabilities assumed have been recorded on the consolidated balance sheet of the Company at estimated fair value as of the date of the acquisition. Unidentified intangible assets, accounted for in accordance with SFAS No. 72, and representing the excess of cost over net assets acquired, was \$19.9 million and is being amortized over 15 years on a straight-line basis. The branches' results of operations are included in the Company's consolidated statement of income from the date of acquisition forward.

During 2001, the following merger, acquisition and reorganization costs were recognized:

Professional fees	\$ 5,956
Data processing	2,092
Severance	3,270
Branch closings	2,412
Advertising and supplies	313
Hardware and software writeoffs	402
Miscellaneous	877

	\$15,322
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With the exception of hardware and software writeoffs and certain branch closing costs, all of the above costs have been or will be paid through normal cash flow from operations. At December 31, 2001, after payments of certain merger, acquisition and reorganization costs, the Company had a remaining accrued liability for merger, acquisition and reorganization costs incurred during 2001 as follows:

Professional fees	\$2,009
Data processing	241
Severance	3,074
Branch closings	1,601
Advertising and supplies	199
Miscellaneous	455

	\$7,579
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With the exception of certain severance costs which will be paid out over a period of time consistent with the respective service agreements, all of the above liabilities are expected to be paid during 2002.

During 2000, the following merger, acquisition and reorganization costs were recognized:

Professional fees	\$ 8,525
Data processing	2,378
Severance	7,278
Branch closing	1,736
Advertising and supplies	1,337
Hardware and software write-off	1,428
Miscellaneous	943

Total	\$23,625

OVERVIEW

The following table summarizes income, income per share and key financial ratios for the periods indicated in accordance with generally accepted accounting principles (GAAP) as well as on a recurring basis. Non-recurring items are those that the Company considers nonoperating in nature and include merger, acquisition, and reorganization costs, net securities losses and gains, gain on branch sales, deposit overdraft write-offs, and mark-to-market adjustments on loans held for sale:

YEAR ENDED DECEMBER 31, 2001 (IN 000'S, EXCEPT PER SHARE AMOUNTS)

	PRE-TAX	ESTIMATED TAX EFFECT	AFTER TAX	DILUTED EPS
GAAP Net Income	\$ 4,279	542	3,737	0.11
Merger, Acquisition, & Reorganization Costs	15,322	4,102	11,220	0.34
Net Securities Losses	7,692	2,795	4,897	0.15
Gain on Branch Sale	(1,367)	(487)	(880)	(0.03)
Certain Deposit Overdraft Write-offs	2,125	757	1,368	0.04
Certain mark-to-market adjustment on loans held for sale	50	18	32	-
	23,822	7,185	16,637	0.50
Recurring Net Income	\$ 28,101	7,727	20,374	0.61

YEAR ENDED DECEMBER 31, 2000 (IN 000'S, EXCEPT PER SHARE AMOUNTS)

	PRE-TAX	ESTIMATED TAX EFFECT	AFTER TAX	DILUTED EPS
GAAP Net Income	\$ 20,682	6,528	14,154	0.44
Merger, Acquisition, & Reorganization Costs	23,625	5,828	17,797	0.55
Net Securities Losses	2,273	837	1,436	0.04
Certain mark-to-market adjustment on loans held for sale	117	48	69	-
	26,015	6,713	19,302	0.59
Recurring Net Income	\$ 46,697	13,241	33,456	1.03

YEAR ENDED DECEMBER 31, 1999 (IN 000'S, EXCEPT PER SHARE AMOUNTS)

	PRE-TAX	ESTIMATED TAX EFFECT	AFTER TAX	DILUTED EPS
GAAP Net Income	\$ 48,625	16,033	32,592	1.00
Merger, Acquisition, & Reorganization Costs	835	276	559	0.02
Net Securities Gains	(1,000)	(330)	(670)	(0.02)
Certain mark-to-market adjustment on Loans held for sale	(341)	(113)	(228)	(0.01)
	(506)	(167)	(339)	(0.01)
Recurring Net Income	\$ 48,119	15,866	32,253	0.99

The Company had net income of \$3.7 million or \$0.11 per diluted share for 2001, compared to net income of \$14.2 million or \$0.44 per diluted share for 2000. Included in 2001 net income were merger, acquisition and reorganization costs, net securities losses, gain on a branch sale, certain deposit overdraft write-offs, and other non-operating transactions. These items totaled \$23.8 million (\$16.6 million after-tax, or \$0.50 per diluted share) compared to \$26.0 million (\$19.3 million after-tax, or \$0.59 per diluted share) of similar items in 2000. During 2001, costs related to merger, acquisition and reorganization activities totaled \$15.3 million (\$11.2 million after-tax, or \$0.34 per diluted share) and net securities losses totaled \$7.7 million (\$4.9 million after-tax, or \$0.15 per diluted share) compared to \$23.6 million (\$17.8 million after-tax, or \$0.55 per diluted share) related to merger, acquisition and reorganization activities and \$2.3 million (\$1.4 million after tax, or \$0.04 per diluted share) in net securities loss in 2000 (see "Securities and Corresponding Interest and Dividend Income" for further discussion related to net securities losses).

Recurring net income, which excludes the after tax effect of costs related to merger, acquisition and reorganization activities, net securities transactions, as well as other non-operating transactions, was \$20.4 million, or \$0.61 per diluted share, for 2001 compared to \$33.5 million, or \$1.03 per diluted share, for 2000. The decrease in recurring net income resulted primarily from a \$31.9 million (\$19.9 million after tax, or \$0.60 per diluted share) provision for loan and lease losses in 2001 compared to a provision of \$10.1 million (\$6.4 million after-tax, or \$0.20 per diluted share) for 2000 (see "Credit Risk" for further discussion related to the provision for loan and lease losses). Additionally, recurring net income for 2001 was negatively affected by a \$3.5 million charge (\$2.3 million after tax, or \$0.07 per diluted share) for the other-than-temporary impairment of the residual value of leased automobiles compared to a charge of \$0.6 million (\$0.4 million after tax, or \$0.01 per diluted share) in the prior year (see "Loans and Leases and Corresponding Interest and Fees on Loans and Leases" for further discussion related to the other-than-temporary impairment of the residual value of leased automobiles).

Net interest income for 2001 increased 8.3% to \$137.9 million compared to \$127.4 million in 2000. The net interest margin for 2001 and 2000 was 4.19% and 4.02%, respectively. The increase in net interest income and net interest margin continues to be attributable primarily to the decline in the Company's cost of funds period-over-period, combined with growth in the average loan portfolio. For 2001, noninterest income, excluding net securities losses and gain on the sale of a branch building, totaled \$30.5 million compared to \$24.9 million for 2000, an increase of 22.5%. Service charges on deposit accounts, ATM fees, banking fees, broker/dealer fees and insurance commissions primarily contributed to the increase in noninterest income. For 2001, noninterest expense, excluding nonrecurring items such as merger, acquisition and reorganization costs and certain deposit overdraft charge-offs, increased \$12.9 million, or 13.5%, to \$108.4 million from \$95.5 million in 2000. Included in the increase in noninterest expense for 2001 was a \$3.5 million charge for the other-than-temporary impairment of the residual value of leased automobiles compared to a charge of \$0.6 million in 2000. The remaining increase in noninterest expense of \$10.0 million was primarily related to the required service and support of our growth.

Net income for 2000 decreased to \$14.2 million, or \$0.44 per diluted share, compared to net income of \$32.6 million, or \$1.00 per diluted share for 1999. Included in 2000 net income were merger, acquisition and reorganization costs, net securities losses, and other nonoperating transactions. These items totaled \$26.0 million (\$19.3 million after-tax, or \$0.59 per diluted share) compared to \$0.5 million (\$0.3 million after-tax, or \$0.01 per diluted share) of similar items in 1999. Recurring net income for 2000 was \$33.5 million, up \$1.2 million compared to recurring net income of \$32.3 million in 1999.

ASSET/LIABILITY MANAGEMENT

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

TABLE 1
Average Balances and Net Interest Income

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

(dollars in thousands)	2001			2000			1999		
	AVERAGE BALANCE	INTEREST	YIELD/RATE	Average Balance	Interest	Yield/Rate	Average Balance	Interest	Yield/Rate
ASSETS									
Short-term interest bearing accounts	\$ 11,324	\$ 569	5.02%	\$ 15,031	\$ 937	6.23%	\$ 30,846	\$ 1,514	4.91%
Securities available for sale (2)	933,122	61,857	6.63	1,017,617	70,918	6.97	899,211	60,907	6.77
Securities held to maturity (2)	99,835	6,644	6.65	117,513	8,086	6.88	154,093	10,109	6.56
Securities trading	5,253	649	12.35	216	8	3.70	-	-	-
Investment in FRB and FHLB Banks	23,926	1,555	6.50	31,274	2,254	7.21	29,209	1,944	6.66
Loans and leases(1)	2,312,740	188,053	8.13	2,092,191	182,254	8.71	1,773,159	150,524	8.49
Total earning assets	3,386,200	259,327	7.66	3,273,842	264,457	8.08	2,886,518	224,998	7.79
Other non-interest-earning assets	240,725			182,749			170,859		
TOTAL ASSETS	\$3,626,925			\$3,456,591			\$3,057,377		
LIABILITIES AND STOCKHOLDERS' EQUITY									
Money market deposit accounts	\$ 254,735	7,052	2.77	\$ 209,562	8,460	4.04	\$ 192,955	6,231	3.23
NOW deposit accounts	348,964	5,032	1.44	307,969	5,951	1.93	280,438	4,902	1.75
Savings deposits	427,102	9,385	2.20	403,106	10,511	2.61	383,617	9,682	2.52
Time deposits	1,476,473	77,053	5.22	1,440,173	82,371	5.72	1,206,470	61,661	5.11
Total interest-bearing deposits	2,507,274	98,522	3.93	2,360,810	107,293	4.54	2,063,480	82,476	4.00
Short-term borrowings	123,162	5,365	4.36	194,888	11,940	6.13	145,364	7,268	5.00
Long-term debt	259,583	13,615	5.24	245,383	13,770	5.61	238,612	13,132	5.50
Total interest-bearing liabilities	2,890,019	117,502	4.07%	2,801,081	133,003	4.75%	2,447,456	102,876	4.20%
Demand deposits	382,489			348,443			314,632		
Other non-interest-bearing liabilities	70,666			53,018			37,749		
Stockholders' equity	283,751			254,049			257,540		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$3,626,925			\$3,456,591			\$3,057,377		
NET INTEREST INCOME		\$ 141,825			\$ 131,454			\$ 122,122	
NET INTEREST MARGIN			4.19%			4.02%			4.23%
Interest Rate Spread			3.59%			3.33%			3.59%
Taxable equivalent adjustment		\$ 3,893			\$ 4,076			\$ 4,149	

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

(2) Securities are shown at average amortized cost. For purposes of these computations, nonaccrual securities are included in the average securities balances, but the interest collected thereon is not included in interest income.

NET INTEREST INCOME

On a tax equivalent basis, the Company's net interest income for 2001 was \$141.8 million, up from \$131.5 million for 2000. The Company's net interest margin improved to 4.19% for 2001 from 4.02% for 2000. The improvement in net interest income and net interest margin in 2001 were due primarily to two factors. First, average earning assets increased from \$3.3 billion in 2000 to \$3.4 billion in 2001. The increase in average earning assets was due primarily to an increase in average loans and leases, which increased \$221.5 million from \$2.1 billion in 2000 to \$2.3 billion in 2001. Secondly, due to the falling interest rate environment in 2001 and the Company's interest bearing liability sensitive position, rates paid on interest bearing liabilities declined more rapidly than the yield on earning assets. Rates paid on interest bearing liabilities decreased 68 basis points ("bp") to 4.07% in 2001 from 4.75% in 2000 compared to a 42 bp decrease in yield on earnings assets to 7.66% in 2001 from 8.08% in 2000.

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

TABLE 2
ANALYSIS OF CHANGES IN TAXABLE EQUIVALENT NET INTEREST INCOME

(in thousands)	INCREASE (DECREASE) 2001 OVER 2000			Increase (Decrease) 2000 over 1999		
	VOLUME	RATE	TOTAL	Volume	Rate	Total
Short-term interest-bearing accounts	\$ (206)	\$ (162)	\$ (368)	\$ (914)	\$ 337	\$ (577)
Securities available for sale	(5,708)	(3,353)	(9,061)	8,210	1,801	10,011
Securities held to maturity	(1,184)	(258)	(1,442)	(2,497)	474	(2,023)
Securities trading	583	58	641	-	-	-
Investment in FRB and FHLB Banks	(493)	(206)	(699)	143	167	310
Loans and leases	18,428	(12,629)	5,799	27,701	4,029	31,730
Total interest income	8,889	(14,019)	(5,130)	31,054	8,405	39,459
Money market deposit accounts	1,590	(2,998)	(1,408)	571	1,658	2,229
NOW deposit accounts	723	(1,642)	(919)	506	543	1,049
Savings deposits	599	(1,725)	(1,126)	502	327	829
Time deposits	2,036	(7,354)	(5,318)	12,825	7,885	20,710
Short-term borrowings	(3,683)	(2,892)	(6,575)	2,812	1,860	4,672
Long-term debt	772	(927)	(155)	377	261	638
Total interest expense	4,113	(19,614)	(15,501)	15,880	14,247	30,127
CHANGE IN FTE NET INTEREST INCOME	\$ 4,776	\$ 5,595	\$ 10,371	\$15,174	\$(5,842)	\$ 9,332

Loans and leases and corresponding interest and fees on loans

The average balance of loans and leases increased 9.5%, from \$2.1 billion in 2000 to \$2.3 billion in 2001. The yield on average loans and leases decreased from 8.71% in 2000 to 8.13% in 2001, as a falling interest rate environment prevailed for much of 2001. Interest income from loans and leases increased 3.2%, from \$182.3 million in 2000 to \$188.1 million in 2001. The increase in interest income from loans and leases was due to the increase in the average balance of loans and leases of 9.5%, offset by a decrease in yield on loans and leases in 2001 of 58 bp when compared to 2000.

Total loans and leases were \$2.3 billion at December 31, 2001, up from \$2.2 billion at December 31, 2000. The increase in loans and leases was primarily in the commercial and consumer loan types, as management continued to focus on growth in these areas. Commercial and agricultural loans were \$584.9 million at December 31, 2001, up \$41.8 million or 7.7% from December 31, 2000. Consumer

loans also increased in 2001, from \$357.8 million at December 31, 2000 to \$387.1 million at December 31, 2001, an increase of \$29.3 million or 8.2%. Residential real estate mortgages increased \$20.8 million or 4.1% to \$525.4 million at December 31, 2001. The increases in commercial, consumer and real estate mortgage loans were offset by a \$20.9 million or 4.2% decrease in commercial real estate mortgages, from \$498.0 million at December 31, 2000 to \$477.1 million at December 31, 2001.

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

TABLE 3
COMPOSITION OF LOAN AND LEASE PORTFOLIO

December 31,	2001	2000	1999	1998	1997
(in thousands)					
Residential real estate mortgages	\$ 525,411	\$ 504,590	\$ 521,684	\$ 494,783	\$ 456,310
Commercial real estate mortgages	477,102	498,040	469,283	395,268	347,443
Real estate construction and Development	60,513	44,829	25,474	18,626	12,289
Commercial and agricultural	584,857	543,145	371,863	291,089	248,454
Consumer	387,081	357,822	320,682	294,230	310,115
Home equity	232,624	219,355	139,472	120,712	106,123
Lease financing	72,048	79,874	76,002	43,486	23,524
Total loans and leases	\$2,339,636	\$2,247,655	\$1,924,460	\$1,658,194	\$1,504,258

Real estate mortgages consist primarily of loans secured by first or second deeds of trust on primary residencies. Loans in the commercial and agricultural category, as well as commercial real estate mortgages, consist primarily of short-term and/or floating rate commercial loans made to small to medium-sized companies. Consumer loans consist primarily of installment credit to individuals secured by automobiles and other personal property including manufactured housing. Manufactured housing loans totaled \$41.4 million and \$48.1 million at December 31, 2001 and 2000, respectively, and were 10.7% and 13.4% of total consumer loans at December 31, 2001 and 2000, respectively. These decreases from 2000 to 2001 are consistent with the Company's plan to de-emphasize loans secured by manufactured housing.

Lease Financing

The Company maintained an automobile lease financing portfolio totaling \$72.0 million at December 31, 2001 and \$79.9 million at December 31, 2000. Lease receivables primarily represent automobile financing to customers through direct financing leases and are carried at the aggregate of the lease payments receivable and the estimated residual values, net of unearned income and net deferred lease origination fees and costs. Net deferred lease origination fees and costs are amortized under the effective interest method over the estimated lives of the leases. The estimated residual value related to the total lease portfolio is reviewed quarterly, and if there has been a decline in the estimated fair value of the residual that is judged by management to be other-than-temporary, a loss is recognized. Adjustments related to such other-than-temporary declines in estimated fair value are recorded with other noninterest expenses in the consolidated statements of income. One of the most significant risks associated with leasing operations is the recovery of the residual value of the leased vehicles at the termination of the lease. When a lease receivable asset is recorded, included in this amount is the estimated residual value of the leased vehicle at the termination of the lease. At termination, the lessor has the option to purchase the vehicle or may turn the vehicle over to the Company.

The estimation of residual value is critical to the determination of the leasing terms. The Company currently utilizes published valuations for specific vehicle types in order to determine estimated residual values. However, from the date of origination of the lease to the date of the termination of the lease, valuations for used vehicles change. The residual values included in lease financing receivables totaled \$52.4 million and \$56.9 million at December 31, 2001 and 2000, respectively.

The Company has acquired residual value insurance protection in order to reduce the risk related to a decline in the published values of used vehicles between the date of origination and the date of the lease termination. Residual value insurance is designed to cover the difference between the industry-published valuation for used vehicles at the termination of the lease, as compared to the industry published valuation at the origination of the lease.

In 2001, the Company's then provider of this residual value insurance indicated that they intended to change the source of the industry valuation for used vehicles, which, in essence, reduced the insurance coverage and increased losses the Company would realize upon disposition of the leased vehicles. In January 2000, the Company changed its residual value insurance provider to a new carrier. However, residual value insurance coverage related to approximately \$25.0 million of the lease financing portfolio at December 31, 2001 is insured by the former insurance carrier. While the Company believes that the change in the source of the industry-published valuation was not allowed under the terms of the insurance policy, the insurance carrier's position has decreased the amount of insurance coverage that would be available to the Company with respect to this portfolio.

Notwithstanding the issue associated with the former insurance carrier, there is an additional risk in the leasing business with respect to recovery of residual values of leased vehicles. While residual value insurance is designed to protect against a drop in industry published values, and only to the extent of any such decline, there remains a risk that the actual sales price for the turned-in leased vehicles is less than the industry-published value. The Company experienced significant losses in 2001 because the amounts that turned-in leased vehicles actually sold for was less than the published industry values.

Throughout 2001, there has been significant weakness in the market for used vehicles. This general weakness was significantly exacerbated by the events of September 11th as well as the extremely favorable financing opportunities provided by large automakers for new vehicles. This situation not only softened the demand for used vehicles, but increased the supply. This situation, coupled with the issue associated with the former insurance carrier discussed above, resulted in an impairment of residual values, which is other-than-temporary at December 31, 2001 and 2000. Accordingly, the Company recorded an other-than-temporary-impairment charge of \$3.5 million in 2001 and \$664,000 in 2000. These charges were included in other noninterest expenses on the consolidated statements of income. At December 31, 2001, the reserve related to the other-than-temporary impairment of residual values totaled \$3.7 million.

The estimation of the other-than-temporary-impairment charge was based upon the current level of leased vehicles turned in as well as the mix of the leasing portfolio between types of vehicles. Currently, the Company has projected that 71% of its leased vehicles will be turned in. At December 31, 2001, approximately 37% of the Company's leasing portfolio is made up of sport utility vehicles, or SUVs, which have experienced the greatest amount of declines in values in the used market, as well as the highest turn-in rate. Should the amount of vehicle turn-ins increase or values for such used vehicles continue to decline, the level of other-than-temporary impairment might be increased.

The following table, Maturities and Sensitivities of Certain Loans to Changes in Interest Rates, are the maturities of the commercial and agricultural and real estate and construction development loan portfolios and the sensitivity of loans to interest rate fluctuations at December 31, 2001. Scheduled repayments are reported in the maturity category in which the contractual payment is due.

TABLE 4
MATURITIES AND SENSITIVITIES OF CERTAIN LOANS TO CHANGES IN INTEREST RATES

REMAINING MATURITY AT DECEMBER 31, 2001	WITHIN ONE YEAR	AFTER ONE YEAR BUT WITHIN FIVE YEARS	AFTER FIVE YEARS	TOTAL
(in thousands)				
Floating/adjustable rate:				
Commercial and agricultural	\$ 138,744	\$ 20,132	\$ 35,567	\$194,443
Real estate construction and development	18,522	5,675	477	24,674
Total floating rate loans	157,266	25,807	36,044	219,117
Fixed Rate:				
Commercial and agricultural	234,546	104,443	51,425	390,414
Real estate construction and development	7,235	10,228	18,376	35,839
Total fixed rate loans	241,781	114,671	69,801	426,253
Total	\$ 399,047	\$ 140,478	\$105,845	\$645,370

Securities and corresponding interest and dividend income

The average balance of securities available for sale was \$933.1 million, which is a decrease of \$84.6 million, or 8.3%, from \$1.0 billion in 2000. The decrease is primarily a result of proceeds from sales, maturities and pay-downs of securities available for sale used to fund loan growth. The yield on average securities available for sale was 6.63% in 2001 compared to 6.97% in 2000. The decrease in the average balance of securities available for sale, coupled with the decrease in yield, resulted in a decrease in interest income on securities available for sale of \$9.0 million, from \$70.9 million in 2000 to \$61.9 million in 2001. The average balance of securities held to maturity was \$99.8 million during 2001, which is a decrease of \$17.7 million, from \$117.5 million in 2000. As noted above, the decrease is primarily a result of proceeds from maturities and pay-downs of securities held to maturity used to fund loan growth. The yield on securities held to maturity was 6.65% in 2001 compared to 6.88% in 2000. Interest income on securities held to maturity decreased \$1.5 million, from \$8.1 million in 2000 to \$6.6 million during 2001.

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

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

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

The Company recorded a \$8.3 million, \$3.5 million and \$1.4 million pre-tax charge during 2001, 2000 and 1999, respectively, related to estimated other-than-temporary impairment of certain securities classified as available for sale. The charges were recorded in net security (losses) gains on the consolidated statements of income. The securities with other-than-temporary impairment charges at December 31, 2001 had remaining carrying values totaling \$4.5 million, are classified as securities available for sale and are on the non-accrual status.

Approximately, \$1.4 million of the \$3.5 million other-than-temporary impairment charge in 2000 related to the Company's decision in late 2000 to sell certain debt securities with an amortized cost of \$21.7 million. As a result of the decision to immediately sell these securities, they were considered to be other-than-temporarily impaired. These securities were sold in early January 2001 at a loss approximating the other-than-temporary impairment charge recorded in 2000. These securities were presented on the Company's December 31, 2000 consolidated balance sheet as trading securities. The remaining securities with other-than-temporary impairment charges at December 31, 2000 had carrying values totaling \$1.4 million, and at December 31, 2000, were classified as securities available for sale and were on non-accrual status.

The following table presents the amortized cost and fair market value of the securities portfolio as of December 31 for the years indicated.

TABLE 5
SECURITIES PORTFOLIO

As of December 31,	2001		2000		1999	
(in thousands)	AMORTIZED COST	FAIR VALUE	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Securities Available for Sale:						
U.S. Treasury	\$ 12,392	\$ 11,757	\$ 16,392	\$ 15,924	\$ 16,369	\$ 14,473
Federal Agency and mortgage-backed State & Municipal, collateralized mortgage obligations and other securities	524,101	530,613	580,934	578,625	632,360	602,684
	366,325	366,971	342,811	342,208	387,848	377,335
Total securities available for sale	\$ 902,818	\$909,341	\$ 940,137	\$936,757	\$1,036,577	\$994,492
Trading Securities						
	\$ 126	\$ 126	\$ 20,540	\$ 20,540	\$ -	\$ -
Securities Held to Maturity:						
Federal Agency and mortgage-backed State & Municipal Other securities	36,733	36,623	46,376	45,528	51,578	48,568
	64,715	64,715	63,992	64,260	61,730	60,569
	156	157	47	47	10	10
Total securities held to maturity	\$ 101,604	\$101,495	\$ 110,415	\$109,835	\$ 113,318	\$109,147

Included in collateralized mortgage obligations and other securities in the securities available for sale portfolio at December 31, 2001, are three securities that management believes are other-than-temporarily impaired. For the year ended December 31, 2001, the Company wrote-down these securities a total of \$6.0 million. The remaining carrying value and the estimated fair value of these three securities is \$4.5 million at December 31, 2001, which management will continue to monitor for additional other-than-temporary impairment. These securities are not accruing interest at December 31, 2001. Also during 2001, the Company recorded \$2.3 million of other-than-temporary impairment charges related to securities which were sold prior to year end 2001.

The following tables summarize the securities considered to be other-than-temporarily impaired (OTTI) at December 31, 2001:

(in thousands) SECURITY TYPE:	AMORTIZED COST AND FAIR VALUE	OTTI CHARGE
Asset backed securities	\$ 1,820	\$ 1,680
Private issue collateralized mortgage obligation	2,680	4,021
Corporate debt security	-	300
Total	\$ 4,500	\$ 6,001

Also included in collateralized mortgage obligations and other securities in the securities available for sale portfolio at December 31, 2001, are certain securities previously held by the recently acquired CNB. These securities contain a higher level of credit risk when compared to securities held in the Company's investment portfolio because they are not guaranteed by a governmental agency. The Company's general practice is to purchase collateralized mortgage obligations and mortgaged-backed securities that are guaranteed by a governmental agency coupled with a strong credit rating, typically AAA, issued by Moody's or Standard and Poors. At December 31, 2001, these securities fair value were not significantly below amortized cost and did not demonstrate other characteristics that would result in a other-than-temporary impairment classification. Management cannot, however, predict the extent to which economic conditions may worsen or other factors may impact these securities. Accordingly, there can be no assurance that these securities will not become other-than-temporarily impaired in the future.

The following tables summarize the securities containing a higher level of credit risk at December 31, 2001:

(in thousands) SECURITY TYPE:	AMORTIZED COST	FAIR VALUE
Asset backed securities	\$ 30,571	\$30,375
Private issue collateralized mortgage obligation	6,488	6,462
Private issue mortgage-backed securities	1,642	1,668
Total	\$ 38,701	\$38,505

The Company has certain embedded derivative instruments related to two debt securities that have returns linked to the performance of the NASDAQ 100 index. Management determined that these debt securities do not qualify for hedge accounting under SFAS No. 133 (see Impact of New Accounting Standards). The embedded derivatives have been separated from the underlying host instruments for financial reporting purposes and accounted for at fair value. During the year ended December 31, 2001, the Company recorded \$640,000 of net losses related to the adjustment of the embedded derivatives to estimated fair value (\$159,000 of which was recorded on January 1, 2001 upon the adoption of SFAS No. 133), which was recorded in net gain (loss) on securities transactions on the consolidated statement of income. As of December 31, 2001, the embedded derivatives related to the debt securities linked to the NASDAQ 100 index had no fair value. The two debt securities are available for sale and classified as other securities. At December 31, 2001, the total amortized cost and estimated fair value of these two debt securities was \$6.2 million. The two debt securities were sold in 2002 at amounts approximating their carrying values at December 31, 2001.

FUNDING SOURCES AND CORRESPONDING INTEREST EXPENSE

The Company utilizes traditional deposit products such as time, savings, NOW, money market, and demand deposits as its primary source for funding. Other sources, such as short-term FHLB advances, federal funds purchased, securities sold under agreements to repurchase, brokered time deposits, and long-term FHLB borrowings are utilized as necessary to support the Company's growth in assets and to achieve interest rate sensitivity objectives. The average balance of interest-bearing liabilities increased \$88.9 million, or 3.2 %, from \$2.8 billion in 2000 to \$2.9 billion in 2001. The rate paid on interest-bearing liabilities decreased from 4.75% in 2000 to 4.07% in 2001. The decrease in the rate paid on interest bearing liabilities, offset by the increase in the average balance, caused a decrease in interest expense of \$15.5 million, or 11.7%, from \$133.0 million in 2000 to \$117.5 million in 2001.

Deposits

Average interest bearing deposits increased \$146.5 million, or 6.2%, during 2001, to \$2.5 billion. The increase is due primarily to the full year effect in 2001 on average interest bearing deposits related to branch acquisitions in June and November of 2000 as well as the FNB acquisition in June 2001. The Company assumed \$133.7 million in deposit liabilities in conjunction with those branch acquisitions. Additionally, the Company completed the acquisition of First National Bancorp, Inc. in June of 2001 and assumed approximately \$94 million in interest bearing liabilities. The Company's core deposit mix improved in 2001. The average balance of NOW, Money Market Deposit Accounts ("MMDA"), and savings comprised 41.1% of average interest bearing deposits in 2001 compared to 39.9% in 2000. The average balance of demand deposits increased \$34.1 million, or 9.8%, from \$348.4 million in 2000 to \$382.5 million in 2001. The ratio of average demand deposits to total average deposits increased from 10.6% in 2000 to 11.3% in 2001.

The improvement in the Company's deposit mix noted above, combined with the falling interest rate environment prevalent in 2001, resulted in a decrease in the rate paid on interest bearing liabilities of 61 bp, from 4.54% in 2000 to 3.93% in 2001. The average rate paid on MMDAs, which are very sensitive to changes in interest rates, declined 127 bp from 4.04% in 2000 to 2.77% in 2001. The rate paid on average time deposits decreased 50 bp, from 5.72% in 2000 to 5.22% in 2001. The decrease in the rate paid on average time deposits, combined with a change in the ratio of average time deposits to total average interest bearing deposits from 61.0% in 2000 to 58.9% in 2001, resulted in a \$5.3 million decrease in interest expense paid on time deposits, from \$82.4 million in 2000 to \$77.1 million in 2001.

The Company will continue to emphasize developing strong customer relationships to strengthen our core deposit base in 2002. The Company does not anticipate deposit growth in 2002, due mainly to planned branch divestitures. To counter the anticipated decrease in deposits, the Company will utilize alternative sources of funding, such as brokered deposits and wholesale funding.

The following table presents the maturity distribution of time deposits of \$100,000 or more at December 31, 2001:

December 31,	2001
(in thousands)	
Within three months	\$288,913
After three but within six months	81,999
After six but within twelve months	76,458
After twelve months	111,252
Total	\$558,622

Borrowings

Average short-term borrowings decreased from \$194.9 million in 2000 to \$123.2 million in 2001. Consistent with the decreasing interest rate environment during 2001, the average rate paid also decreased from 6.13% in 2000 to 4.36% in 2001. The decrease in the average balance combined with the decrease in the average rate paid caused interest expense on short-term borrowings to decrease \$6.5 million from \$11.9 million in 2000 to \$5.4 million in 2001. Average long-term debt increased \$14.2 million, from \$245.4 million in 2000 to \$259.6 million in 2001. The increase in long-term debt combined with a decrease in short-term borrowings was a result of limiting the Company's liability sensitive position to rising interest rates.

Short-term borrowings consist of Federal funds purchased and securities sold under repurchase agreements, which generally represent overnight borrowing transactions, and other short-term borrowings, primarily Federal Home Loan Bank (FHLB) advances, with original maturities of one year or less. The Company has unused lines of credit and access to brokered deposits available for short-term financing of approximately \$767 million and \$555 million at December 31, 2001 and 2000, respectively. Securities collateralizing repurchase agreements are held in safekeeping by non-affiliated financial institutions and are under the Company's control. Long-term debt, which is comprised primarily of FHLB advances, are collateralized by the FHLB stock owned by the Company, certain of its mortgage-backed securities and a blanket lien on its residential real estate mortgage loans.

RISK MANAGEMENT

CREDIT RISK

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

Nonperforming Assets

TABLE 7
NONPERFORMING ASSETS

December 31,	2001	2000	1999	1998	1997
(dollars in thousands)					
Nonaccrual loans:					
Commercial and agricultural and commercial real estate	\$31,372	\$14,054	\$ 9,519	\$ 7,819	\$ 8,395
Real estate mortgages	5,119	647	618	744	692
Consumer	3,719	2,402	2,671	3,106	1,406
Total nonaccrual loans	40,210	17,103	12,808	11,669	10,493
Loans 90 days or more past due and still accruing:					
Commercial and agricultural and commercial real estate	198	4,523	1,201	1,365	2,202
Real estate mortgages	1,844	3,042	641	761	244
Consumer	933	865	906	1,908	4,164
Total loans 90 days or more past due and still accruing	2,975	8,430	2,748	4,034	6,610
Restructured loans	603	656	1,014	1,247	2,877
Total nonperforming loans	43,788	26,189	16,570	16,950	19,980
Other real estate owned	1,577	1,856	2,696	4,070	3,470
Total nonperforming loans and other real estate owned	45,365	28,045	19,266	21,020	23,450
Nonperforming securities	4,500	1,354	1,535	-	-
Total nonperforming loans, securities, and other real estate owned	\$49,865	29,399	20,801	21,020	23,450
Total nonperforming loans to loans and leases	1.87%	1.17%	0.86%	1.02%	1.33%
Total nonperforming loans and other real estate owned to total assets	1.25%	0.78%	0.58%	0.73%	0.88%
Total nonperforming loans, securities, and other real estate owned to total assets	1.37%	0.82%	0.63%	0.73%	0.88%
Total allowance for loan and lease losses to nonperforming loans	102.19%	124.07%	170.43%	157.02%	124.26%

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

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

For purposes of evaluating the adequacy of the allowance, the Company considers a number of significant factors that affect the collectibility of the portfolio. For individually analyzed loans, these include estimates of loss exposure, which reflect the facts and circumstances that affect the likelihood of repayment of such loans as of the evaluation date. For homogeneous pools of loans and leases, estimates of the Company's exposure to credit loss reflect a thorough current assessment of a number of factors, which could affect collectibility. These factors include: past loss experience; size, trend, composition, and nature; changes in lending policies and procedures, including underwriting

standards and collection, charge-off and recovery practices; trends experienced in nonperforming and delinquent loans; current economic conditions in the Company's market; portfolio concentrations that may affect loss experienced across one or more components of the portfolio; the effect of external factors such as competition, legal and regulatory requirements; and the experience, ability, and depth of lending management and staff. In addition, various regulatory agencies, as an integral component of their examination process, periodically review the Company's allowance for loan and lease losses. Such agencies may require the Company to recognize additions to the allowance based on their examination.

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

TABLE 8
ALLOWANCE FOR LOAN AND LEASE LOSSES

(dollars in thousands)	2001	2000	1999	1998	1997
Balance at January 1	\$32,494	\$28,240	\$26,615	\$24,828	\$23,420
Loans charged-off:					
Commercial and agricultural	17,097	3,949	2,737	2,794	1,924
Real estate mortgages	783	1,007	1,165	1,139	914
Consumer	4,491	2,841	2,808	2,796	3,163
Total loans and leases charged-off	22,371	7,797	6,710	6,729	6,001
Recoveries:					
Commercial and agricultural	1,063	503	367	529	1,197
Real estate mortgages	122	141	198	152	109
Consumer	1,004	739	874	913	1,008
Total recoveries	2,189	1,383	1,439	1,594	2,314
Net loans and leases charged-off	20,182	6,414	5,271	5,135	3,687
Allowance related to purchase acquisitions	505	525	-	-	-
Provision for loan and lease losses	31,929	10,143	6,896	6,922	5,095
Balance at December 31	\$44,746	\$32,494	\$28,240	\$26,615	\$24,828
Allowance for loan and lease losses to loans and leases outstanding at end of year	1.91%	1.45%	1.47%	1.61%	1.65%
Net charge-offs to average loans and leases outstanding	0.87%	0.31%	0.30%	0.33%	0.26%

Several significant risk factors impacted the allowance for loan and lease losses, the provision for loan and lease losses, net loan and lease charge-offs (net charge offs) and non-performing loans and leases in 2001. During 2001 the Company continued to increase its loan and lease portfolio with particular emphasis in commercial and consumer lending. Commercial and consumer lending inherently possess higher credit risk as compared to many other loan types such as residential real estate lending. As discussed above, the commercial and agricultural loan portfolio increased \$41.7 million or 7.7% from December 31, 2000 to December 31, 2001, and makes up 25.0% of the total loan and lease portfolio at December 31, 2001 as compared to 24.1% at December 31, 2000 and 19.3% at December 31, 1999. The consumer loan portfolio grew \$29.3 million or

8.2% from December 31, 2000 to December 31, 2001 and now makes up 16.6% of the total loan portfolio at December 31, 2001 as compared to 15.9% at December 31, 2000 and 16.6% at December 31, 1999. See Table 3 for the Composition of the Loan Portfolio.

The Company's strategic focus on loan growth, particularly in commercial lending, was also a focus of the banks acquired by the Company in 2001 and 2000; CNB Bank, LA Bank, NA and Pioneer American Bank, NA (see also Mergers and Acquisition). These acquired banks underwrote numerous commercial related loans prior to merging with the Company, based upon their respective underwriting processes and analysis, including several larger credits which have become non-performing in 2001. Additionally, CNB Financial significantly increased its consumer loan portfolio in recent years. Accordingly, the Company's loan growth in general, in particular the growth in higher credit risk loan types, combined with the fact that the recently acquired banks appeared to have used generally less conservative underwriting and monitoring standards increased the inherent risk of loss in the loan and lease portfolio.

As the Company's loan and lease portfolio has continued to grow and the loan mix has continued to move in the direction of higher credit risk, the economy in the Company's market areas took a dramatic turn for the worse in 2001, especially in the second half of 2001. This sudden economic down turn came at a particularly bad time for the Company given the recent growth in the Company's higher credit risk loan types. The recession experienced in the Company's market areas is consistent with what has been experienced by the national economy throughout 2001 and has resulted in, among other things, significant reductions in many borrowers' revenues and cash flows as well as reduced valuations for certain real estate and other collateral. In fact, certain large commercial relationships in the Company's portfolio reported significant deterioration in the later part of 2001, primarily due to the economic recession.

Additionally, as noted above, the recently acquired banks appeared to have generally less conservative underwriting and monitoring standards that made certain of the relationships originated by these acquired banks more susceptible to being negatively impacted by the 2001 economic downturn.

During 2001, the Company completed the integration process with respect to the Pennstar banking division (formerly LA Bank, N.A. and Pioneer American Bank N.A.) and has made significant progress in its integration efforts with the recently merged CNB banking division. The integration process included bringing these banking divisions' credit administration practices in line with the Bank's policies, adopting the Bank's credit risk grading system, and upgrading numerous commercial real estate and other collateral appraisals. At December 31, 2001, the credit administration function of the Pennstar and CNB banking divisions, including workout and collections, has been consolidated and standardized using the Bank model, and key personnel from the Bank's commercial lending area have been installed at Pennstar and CNB to oversee the lending operations of the respective divisions.

As a result of the economic downturn, and the integration processes with respect to recently merged banks discussed above, the Company performed an extensive review of its loan portfolio during 2001. This review focused on consistency in the identification and classification of problematic loans and the measurement of loss exposure on individual loans, especially in light of the generally weakened financial performance of borrowers caused by the economic downturn and reduced collateral values.

Non-performing loans increased from \$26.2 million at December 31, 2000 to \$43.8 million at December 31, 2001. The vast majority, approximately 92%, of non-performing loans are in the non-accrual category. Within non-accrual loans, all loan types experienced significant increases, however, the largest increase was in the commercial and agricultural loans. Commercial and agricultural non-accrual loans, increased \$17.3 million from \$14.1 million at December 31, 2000 to \$31.4 million at December 31, 2001. Consumer non-accrual loans also significantly increased from \$2.4 million at December 31, 2000 to \$3.7 million at December 31, 2001. While there have been numerous loans added to the non-accruing loan category, approximately \$12.9 million of the total non-accruing loans is made up of 6 loan relationships. Management believes that the allowance for loan losses related to these relationships as well as nonperforming loans is adequate at December 31, 2001.

The total allowance for loan and lease losses is 102.2% of non-performing loans at December 31, 2001 as compared to 124.1% at December 31, 2000. While loans and leases classified as non-performing have a strong likelihood of experiencing a loss, substantially all non-performing loans are collateralized, many to a reasonably high percentage of the outstanding loan balance. As such, it is unlikely that 100% of the balance of non-performing loans will result in a loss to the Company. However, if the current economic recession results in further deterioration of collateral values, loss exposure on all loans and leases could increase.

Impaired loans, which primarily consist of non-accruing commercial type loans and all loans restructured in a troubled debt restructuring, also increased significantly, totaling \$32.0 million at December 31, 2001 as compared to \$14.7 million at December 31, 2000. The related allowance for these impaired loans is \$1.4 million or 4.4% of the impaired loans at December 31, 2001 as compared to \$1.5 million and 10.2%, respectively, at December 31, 2000. At December 31, 2001 and 2000 there were \$29.8 million and \$10.8 million, respectively, of impaired loans which did not have an allowance for loan losses due to the adequacy of their collateral or previous charge offs.

Non-performing loans are expected to remain at levels higher than historically experienced. Non-accrual loans will negatively impact interest income in 2002. Management intends to work closely with borrowers to monitor and improve credit classifications. The Company does anticipate some migration of non-performing loans from the non-accrual category to the troubled debt restructuring category, as the Company works to resolve troubled loans. Furthermore, management expects that the level of loan growth recently experienced will slow down in 2002 due to the economic downturn in the Company's market areas and management's focus on positively resolving current problematic loans.

For the same reasons that non-performing loans increased in 2001, the Company also experienced a significant increase in net charge-offs in 2001 as compared to 2000. Net charge-offs in 2001 increased \$13.8 million to \$20.2 million from \$6.4 in 2000. Consistent with the above, the increased net charge-offs was primarily in the commercial and agricultural portfolio, where net charge-offs were \$16.0 million in 2001 as compared to \$3.4 million in 2000. Net charge offs of consumer loans and leases also experienced a significant increase in 2001 as compared to 2000. Net charge-offs as a percentage of average loans and leases and leases was .87% in 2001 as compared to .31% in 2000. While management does not anticipate any significant increase in net charge-offs in 2002, future net charge-offs are expected to be greater than historical charge-offs levels prior to 2001.

As a result of the growth in the loan and lease portfolio, particularly the growth in higher credit risk loan types, combined with the fact that recently acquired banks appeared to have used generally less conservative underwriting and monitoring standards, the significant downturn in economic conditions in the Company's market areas as well as the significant increases in non-performing loans and net charge offs, the Company increased its provision for loan and lease losses to \$31.9 million for 2001 from \$10.1 million in 2000.

The allowance for loan and lease losses increased from \$32.5 million at December 31, 2000, or 1.45% of total loans and leases, to \$44.7 million at December 31, 2001, or 1.91%. Management believes that the level of non-performing loans, the allowance for loan and lease losses and net charge offs experienced in 2001 are reflective of the credit risk inherent in the current loan portfolio. Based upon a thorough analysis of the inherent risk of loss in the Company's current loan portfolio, management believes that the allowance for loan and lease losses at December 31, 2001 is adequate. However, should the current economic recession be prolonged or worsen, non-performing loans, net charge offs and provisions for loan and lease losses may increase.

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

TABLE 9
ALLOCATION OF THE ALLOWANCE FOR LOAN AND LEASE LOSSES

December 31,	2001		2000		1999		1998		1997	
(dollars in thousands)	ALLOWANCE	CATEGORY PERCENT OF LOANS	Allowance	Category Percent of Loans	Allowance	Category Percent of Loans	Allowance	Category Percent of Loans	Allowance	Category Percent of Loans
Commercial and agricultural	\$ 34,682	85%	\$ 20,510	72%	\$ 14,115	62%	\$ 12,728	62%	\$ 9,961	62%
Real estate mortgages	1,611	4%	1,669	6%	2,506	11%	1,621	8%	1,548	10%
Consumer	4,626	11%	6,379	22%	6,270	27%	6,304	30%	4,583	28%
Unallocated	3,827	-	3,936	-	5,349	-	5,962	-	8,736	-
Total	\$ 44,746	100%	\$ 32,494	100%	\$ 28,240	100%	\$ 26,615	100%	\$ 24,828	100%

In addition to the nonperforming loans discussed above, the Company has also identified approximately \$48.6 million in potential problem loans at December 31, 2001 as compared to \$26.1 million at December 31, 2000. Potential problem loans are loans that are currently performing, but where known information about possible credit problems of the related borrowers causes management to have serious doubts as to the ability of such borrowers to comply with the present loan repayment terms and which may result in disclosure of such loans as non-performing at some time in the future. At the Company, potential problem loans are typically loans that are performing but are classified by the Company's loan rating system as "substandard." At December 31, 2001, potential problem loans primarily consisted of commercial real estate and commercial and agricultural loans. Management cannot predict the extent to which economic conditions may worsen or other factors which may impact borrowers and the potential problem loans. Accordingly, there can be no assurance that other loans will not become 90 days or more past due, be placed on non-accrual, become restructured, or require increased allowance coverage and provision for loan losses.

At December 31, 2001, approximately 52.8% of the Company's loans are secured by real estate located in central and northern New York and northeastern Pennsylvania, respectively. Accordingly, the ultimate collectibility of a substantial portion of the Company's portfolio is susceptible to changes in market conditions of those areas. Management is not aware of any material concentrations of credit to any industry or individual borrowers.

LIQUIDITY RISK

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

The primary liquidity measurement the Company utilizes is called the Basic Surplus which captures the adequacy of its access to reliable sources of cash relative to the stability of its funding mix of average liabilities. This approach recognizes the importance of balancing levels of cash flow liquidity from short- and long-term securities with the availability of dependable borrowing sources which can be accessed when necessary. At December 31, 2001, the Company's Basic Surplus measurement was 9.4% of total assets, which was above the Company's minimum of 5% set forth in its liquidity policies. Accordingly, the Company has purchased brokered time deposits, established borrowing facilities with other banks (Federal funds), including the Federal Home Loan Bank of New York (short and long-term borrowings which are denoted as advances), and has entered into repurchase agreements with investment companies.

This Basic Surplus approach enables the Company to adequately manage liquidity from both operational and contingency perspectives. By tempering the need for cash flow liquidity with reliable borrowing facilities, the Company is able to operate with a more fully invested and, therefore, higher interest income generating, securities portfolio. The makeup and term structure of the securities portfolio is, in part, impacted by the overall interest rate sensitivity of the balance sheet. Investment decisions and deposit pricing strategies are impacted by the liquidity position. At December 31, 2001, the Company considered its Basic Surplus adequate to meet liquidity needs.

At December 31, 2001, a large percentage of the Company's loans and securities are pledged as collateral on borrowings. Therefore, future growth of earning assets will depend upon the Company's ability to obtain additional funding, through growth of core deposits and collateral management, and may require further use of brokered time deposits, or other higher cost borrowing arrangements.

OFF-BALANCE SHEET RISK

Commitments to Extend Credit

The Company makes contractual commitments to extend credit and unused lines of credit which are subject to the Company's credit approval and monitoring procedures. At December 31, 2001 and 2000, commitments to extend credit in the form of loans, including unused lines of credit, amounted to \$704.7 million and \$394.7 million, respectively. In the opinion of management, there are no material commitments to extend credit, including unused lines of credit, that represent unusual risks. All commitments to extend credit in the form of loans, including unused lines of credit expire within one year.

Stand-By Letters of Credit

The Company guarantees the obligations or performance of customers by issuing stand-by letters of credit to third parties. These stand-by letters of credit are frequently issued in support of third party debt, such as corporate debt issuances, industrial revenue bonds, and municipal securities. The risk involved in issuing stand-by letters of credit is essentially the same as the credit risk involved in extending loan facilities to customers, and they are subject to the same credit origination, portfolio maintenance and management procedures in effect to monitor other credit and off-balance sheet products. At December 31, 2001 and 2000, outstanding stand-by letters of credit were approximately \$21.1 million and \$6.2 million, respectively. The following table sets forth the commitment expiration period for stand-by-letters of credit at December 31, 2001:

Within one year	\$ 3,628
After one but within three years	3,238
After three but within five years	14,206

Total	\$21,072
	=====

RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Company has made loans at prevailing rates and terms to directors, officers, and other related parties. Such loans, in management's opinion, do not present more than the normal risk of collectibility or incorporate other unfavorable features. The aggregate amount of loans outstanding to qualifying related parties at December 31, 2001 and 2000 were \$6.3 million and \$6.8 million, respectively.

The Company has entered into repurchase agreements with entities which have certain executive officers who are directors and significant stockholders of the Company. These repurchase agreements are entered into in the ordinary course of business at market terms. These repurchase agreements resulted in approximately \$25.4 million and \$18.1 million being owed to these entities at December 31, 2001 and 2000, respectively.

The law firm of Kowalczyk, Tolles, Deery and Johnston, of which Director Andrew S. Kowalczyk, Jr., is a partner, provides legal services to us and NBT Bank from time to time as does the law firm of Harris Beach LLP, of which Director William L. Owens is a partner. The law firm of Needle, Goldenziel and Pascale, of which Director Gene Goldenziel is a partner, provides legal services to us from time to time as does the law firm of Oliver, Price & Rhodes of which Director Paul Horger is a partner.

CAPITAL RESOURCES

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

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

The Bank also is subject to substantial regulatory restrictions on its ability to pay dividends to the Company. Under OCC regulations, the Bank may not pay a dividend, without prior OCC approval, if the total amount of all dividends declared during the calendar year, including the proposed dividend, exceed the sum of its retained net income to date during the calendar year and its retained net income over the preceding two years. The Bank's dividends to the Company over years 2000 and 2001 exceeded net income during those years. Therefore, the Bank's first quarter 2002 dividends exceeded the OCC dividend limitations, and the Bank requested and received OCC approval to pay this dividend to the Company. The Bank anticipates that it will require approval for its second quarter 2002 dividend as well. The Bank's ability to pay dividends also is subject to the Bank being in compliance with regulatory capital requirements. The Bank is currently in compliance with these requirements.

NONINTEREST INCOME AND EXPENSES

NONINTEREST INCOME

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

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
(in thousands)			
Service charges on deposit accounts	\$12,756	\$10,193	\$ 9,278
Broker/dealer and insurance revenue	4,500	2,723	46
Trust	3,958	4,047	3,959
Other	9,245	7,891	8,044
Total recurring	30,459	24,854	21,327
Net securities (losses) gains	(7,692)	(2,273)	1,000
Gain on sale of branch building	1,367	-	-
Total	\$24,134	\$22,581	\$22,327

Total recurring noninterest income increased to \$30.5 million in 2001, compared to \$24.9 million in 2000 and \$21.3 million in 1999. The increase in recurring noninterest income resulted primarily from a \$2.6 million increase in service charges on deposit accounts, \$1.8 million increase in broker/dealer fees and a \$1.3 million increase in other income. The increase in service charges on deposit accounts resulted primarily from the Company's branch network growth combined with an increase in fees.

The increase in broker/dealer fees and insurance revenue reflects twelve full months of revenue from the Company's broker/dealer, M. Griffith, Inc., which was acquired in May 2000. Revenues from M. Griffith, Inc. totaled \$3.8 million in 2001, compared to \$2.7 million in 2000. Additionally, the Company's insurance agency and financial services provider, Colonial Financial Services, Inc., which started operating in June 2001, contributed to the increase in revenue as well. Revenues for Colonial Financial Services, Inc. for 2001 totaled \$621,000.

Income from trust services decreased slightly in 2001 when compared to 2000. The decrease is primarily attributable to a decrease in the market value of the assets held by the Company in a fiduciary capacity. The decrease in the market value of assets held by the Company in a fiduciary capacity resulted from the decline in all the major stock indexes during 2001. Trust income is primarily derived from contractual rates applied to the balances of trust accounts, and as market values declined, trust income did not experience growth despite an increase in the number of accounts managed. The number of accounts managed by the Company's Trust Department increased from 1,577 at December 31, 2000 to 1,629 at December 31, 2001.

The increase in other income resulted primarily from increases in ATM fees and other banking fees. Total ATM fees and other banking fees amounted to \$4.4 million and \$1.6 million, respectively, for 2001 compared to \$3.8 million and \$639,000, respectively, for 2000. The increase in ATM fees resulted from the combination of an increase in ATMs deployed and increases in ATM convenience fees. The increase in banking fees resulted primarily from the continued focus in business banking activities.

Transactions excluded from recurring noninterest income were net securities losses of \$7.7 million in 2001 compared to \$2.3 million in 2000 and a gain on sale of a branch building totaling \$1.4 million in 2001. The increase in net securities losses in 2001 resulted primarily from charges totaling \$8.3 million taken for the other-than-temporary impairment of certain securities compared to \$3.5 million in 2000, as discussed above.

NONINTEREST EXPENSE

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

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
(in thousands)			
Salaries and employee benefits	\$ 48,419	\$ 44,802	\$40,527
Occupancy	8,704	7,761	6,804
Equipment	7,228	7,271	7,046
Data processing and communications	10,690	8,206	7,544
Professional fees and outside services	6,338	5,082	4,252
Office supplies and postage	4,639	3,976	4,106
Amortization of intangible assets	4,248	3,049	1,764
Capital securities	1,278	1,633	582
Residual value lease losses	3,529	664	27
Other	13,338	13,065	11,292
Total recurring noninterest expense	108,411	95,509	83,944
Merger, acquisition and reorganization costs	15,322	23,625	835
Certain deposit overdraft write-offs	2,125	-	-
Total noninterest expense	\$125,858	\$119,134	\$84,779

For 2001, recurring noninterest expense increased \$12.9 million, or 13.5%, to \$108.4 million compared to \$95.5 million in 2000. This increase was due to several factors. Expenses for data processing and communications and professional fees and outside services increased period-over-period by \$3.7 million or 28.1%, principally due to the Company's expanded branch network, costs associated with enhanced technologies and expanded data processing volume capacities resulting from recent data processing conversions. It is anticipated that the expanded data processing capacity will allow the Company to reduce data processing costs in 2002.

Salaries and employee benefits expense increased \$3.6 million, or 8.1%, to \$48.4 million compared to \$44.8 million in 2000. Occupancy expense increased \$943,000, or 12.2%, to \$8.7 million compared to \$7.8 million in 2000. The increases in salaries and employee benefits expense and occupancy expense resulted primarily from twelve full months of expenses in 2001 from the eight branches and the Company's broker/dealer, M. Griffith, Inc., all of which were acquired during 2000, and an increase in expense resulting from the acquisition of FNB Bancorp, Inc. on June 1, 2001.

Office supplies and postage increased from \$4.0 million in 2000 to \$4.6 million in 2001. The increase resulted primarily from the growth of the Company's branch network during 2000 and 2001. Capital securities expense decreased from \$1.6 million in 2000 to \$1.3 million in 2001. The decrease resulted from a decrease during 2001 in the index the capital securities interest rate is tied to.

Residual value lease losses increased from \$664,000 in 2000 to \$3.5 million in 2001. The increase was due to the charge taken for the other-than-temporary impairment of residual values of leased automobiles in 2001. There was an increase in expenses relating to the amortization of intangible assets from certain recently completed acquisitions. Amortization expenses increased \$1.2 million for the twelve months ended December 31, 2001 as compared to 2000. As a result of the adoption of SFAS No. 142 on January 1, 2002, amortization of intangible assets is expected to be lower in 2002. See "New Accounting Pronouncement - Business Combinations and Goodwill and Other Intangible Assets".

Merger, acquisition and reorganization costs amounted to \$15.3 million in 2001 compared to \$23.6 million in 2000. The Company completed one merger and one acquisition in 2001 and completed two mergers, one acquisition, and purchased 8 branches in 2000. Additionally, in 2000, the Company cancelled one proposed merger. During 2001, the Company recognized \$2.1 million in deposit overdraft write-offs related to two large check-kiting incidents.

INCOME TAXES

In 2001, income tax expense was \$542,000, as compared to \$6.5 million in 2000 and \$16.0 million in 1999. The Company's effective tax rate was 12.7%, 31.6%, and 33.0% in 2001, 2000, and 1999, respectively. The decrease in the effective tax rate during 2001 is primarily the result of lower net income before tax, which resulted in a greater benefit, on a percentage basis, from permanent non-taxable items such as tax-exempt interest.

2000 OPERATING RESULTS AS COMPARED TO 1999 OPERATING RESULTS

NET INTEREST INCOME

Net interest income for 2000 on a FTE basis was \$131.5 million, up from \$122.1 million in 1999. The increase was primarily the result of the increase in average earning assets of \$387.3 million offset somewhat by a decrease in the Company's net interest margin from 4.23% for 1999 to 4.02% for 2000. The decrease in net interest margin in 2000 when compared to 1999 primarily resulted from interest bearing liabilities repricing faster than earning assets resulting from the rising rate environment prevalent for most of 2000.

EARNING ASSETS

Total average earning assets increased \$387.3 million, from \$2.9 billion in 1999 to \$3.3 billion in 2000. The increase was primarily the result of loan growth of \$319.0 million, particularly in commercial loan types, and an increase in securities of \$91.8 million. The increase in earning assets in 2000 was primarily funded from an increase in deposits, which were assumed from various branch acquisitions in 1999 and 2000 as well as an increase in borrowings. Interest income increased \$39.5 million, from \$225.0 million in 1999 to \$264.5 million in 2000. The increase in interest income was caused by increases in earning assets and yields. The yield on earning assets increased from 7.79% in 1999 to 8.08% in 2000. The increase in yield was primarily the result of the rising interest rate environment that prevailed for most of 2000.

LOANS AND LEASES AND CORRESPONDING INTEREST AND FEES ON LOANS

The average balance of loans and leases increased from \$1.8 billion in 1999 to \$2.1 billion in 2000. The yield on average loans and leases increased from 8.49% in 1999 to 8.71% in 2000, as a rising interest rate environment prevailed for much of 2000. The increase in the average balance of loans and leases, coupled with the increase in yields, caused interest income on loans and leases to increase \$31.8 million, or 21.1%, from \$150.5 million in 1999 to \$182.3 million in 2000. Total loans and leases were \$2.2 billion at December 31, 2000, up from \$1.9 billion at December 31, 1999. The increase in loans and leases was primarily in the commercial and consumer loan types. Commercial and agricultural loans were \$543.1 million at December 31, 2000, up \$171.2 million or 46.0% from December 31, 1999. Home equity loans increased \$79.9 million to \$219.4 million at December 31, 2000. Consumer loans increased \$37.1 million, or 11.5%, to \$357.8 million at December 31, 2000 as compared to December 31, 1999.

SECURITIES AND CORRESPONDING INTEREST AND DIVIDEND INCOME

The average balance of securities available for sale was \$1.0 billion during 2000, which is an increase of \$128.4 million from \$889.2 million in 1999. The increase is primarily the result of investing excess funds from deposits assumed from branch transactions during 1999 and 2000. The yield on average securities available for sale was 6.97% in 2000 compared to 6.77% in 1999. The increase in the average balance, coupled with the increase in yield, resulted in an increase in interest income on securities available for sale of \$10.0 million, from \$60.9 million in 1999 to \$70.9 million in 2000.

The average balance of securities held to maturity was \$117.5 million during 2000, which is a decrease of \$36.6 million, from \$154.1 million in 1999. The decrease was primarily a result of Central National Bank transferring all of its investment securities held to maturity to securities available for sale in 1999. The transfer was made for asset/liability management purposes and to allow CNB flexibility with certain tax planning strategies. Subsequent to this transfer, CNB no longer maintained a held to maturity portfolio. The yield on securities held to maturity was 6.88% in 2000 compared to 6.56% in 1999.

FUNDING SOURCES AND CORRESPONDING INTEREST EXPENSE

DEPOSITS

Average interest bearing deposits increased \$297.3 million during 2000, to \$2.4 billion compared to \$2.1 billion in 1999. The increase in interest bearing deposits resulted primarily from the 3 branch acquisitions in 2000 and 1999. The Company purchased approximately \$133.7 million in deposits in conjunction with the purchase of branches from Mellon Bank and Sovereign Bank in June and November of 2000, respectively. In August of 1999, the Company purchased approximately \$156.5 million in deposits in conjunction with the purchase of branches from Astoria Federal Savings and Loan Association.

The average rate paid on interest bearing deposits increased from 4.00% in 1999 to 4.54% in 2000. The increase in the average rate paid was primarily attributable to time deposits, which are the most expensive interest bearing deposits. The average rate paid on time deposits during 2000 was 5.72%, as compared to 5.11% during 1999. Time deposits also made up a greater percentage of total interest bearing liabilities. During 1999, time deposits were 58.5% of interest bearing deposits, while in 2000, time deposits made up 61.0% of total interest bearing deposits. The increase in the average rates paid for interest bearing deposits during 2000 was also consistent with the rising interest rate environment that prevailed for most of the year. The increase in the average balance of interest bearing time deposits, coupled with the increase in the average rate paid, caused interest expense on interest bearing deposits to increase \$24.8 million, from \$82.5 million in 1999 to \$107.3 million in 2000.

BORROWINGS

Average short-term borrowings increased from \$145.4 million in 1999 to \$194.9 million in 2000. Consistent with the increasing interest rate environment during most of 2000, the average rate paid also increased from 5.00% in 1999 to 6.13% in 2000. The increase in the average balance combined with the increase in the average rate paid caused interest expense on short-term borrowings to increase \$4.6 million from \$7.3 million in 1999 to \$11.9 million in 2000. Average long-term debt increased \$6.8 million, from \$238.6 million in 1999 to \$245.4 million in 2000.

CREDIT RISK

Nonperforming loans at December 31, 2000 were \$26.2 million as compared to \$16.6 million at December 31, 1999. This increase is primarily the result of the beginning of the process of integrating newly acquired banks into the Company given the Company's more conservative approach to identifying and resolving nonperforming loans. Net charge-offs increased during 2000 by \$1.1 million, to \$6.4 million for the year. The increase in net charge-offs was primarily in the area of commercial and agricultural loans. This increase was consistent with the increase in commercial and agricultural loans discussed above. The provision for loan and lease losses in 2000 was \$10.1 million, as compared to \$6.9 million in 1999. The increase in the provision in 2000 as compared to 1999 was primarily due to the increase in the total loan and lease portfolio, the mix of the portfolio, the increase in nonperforming loans and leases, and net loan and lease charge-offs. The allowance as a percentage of loans and leases outstanding was 1.45% at December 31, 2000 and 1.47% at December 31, 1999.

NONINTEREST INCOME

Recurring noninterest income, as presented above, increased \$3.6 million, from \$21.3 million in 1999 to \$24.9 million in 2000. The \$3.6 million, or 16.9%, increase in 2000 is primarily the result of an increase in broker/dealer fees of approximately \$2.7 million. The increase in broker/dealer fees is the direct result of the Company's acquisition of M. Griffith, Inc., a full service broker/dealer and registered investment advisor, on May 5, 2000. Service charges on deposit accounts increased \$915,000, from \$9.3 million in 1999 to \$10.2 million in 2000. The increase in service charges on deposit accounts resulted primarily from the branch acquisitions in 1999 and 2000. All other categories of recurring noninterest income remained consistent from 1999 to 2000. Net securities losses totaled \$2.3 million in 2000 as compared to \$1.0 million in gains in 1999. The net securities losses in 2001 resulted primarily from the \$3.5 million in charges taken for the other-than-temporary impairment of certain securities.

NONINTEREST EXPENSE

For 2000, recurring noninterest expense, as presented above, increased \$11.6 million, or 13.8%, to \$95.5 million compared to \$83.9 million in 1999. This increase was due to several factors. Salaries and employee benefits expense increased \$4.3 million, or 10.6%, to \$44.8 million compared to \$40.5 million in 1999. The increase in salaries and employee benefits expense resulted primarily from the eight branches and the Company's broker/dealer, M. Griffith, Inc., which were acquired during 2000, and a full twelve months of expense in 2000 resulting from the acquisition of 5 branches from Astoria in August of 1999.

Residual value lease losses increased \$637,000, from \$27,000 for 1999 to \$664,000 in 2000. The increase is primarily attributable to a \$595,000 charge taken in 2000 due to a decline in residual values of leased vehicles considered to be other-than-temporary.

Other operating expenses increased \$1.8 million, or 15.7%, to \$13.1 million in 2000 from \$11.3 million in 1999. The increase on other operating expenses resulted primarily from advertising expense, which increased \$840,000 in 2000 when compared to 1999. The increase in advertising expense primarily resulted from advertising campaigns associated with the new branches the Company acquired in 2000 and 1999.

Capital securities expense increased \$1.0 million, to \$1.6 million in 2000 from \$582,000 in 1999. The increase in capital securities expense reflects a full twelve months of expense in 2000 from the obligations issued by the Company in August 1999. Lastly, there was an increase in expenses relating to the amortization of intangible assets due to certain of the recently completed acquisitions. Amortization expense increased \$1.2 million from \$1.8 million in 1999 to \$3.0 million in 2000.

IMPACT OF INFLATION AND CHANGING PRICES

The Company's consolidated financial statements are prepared in accordance with generally accepted accounting principles which require the measurement of financial position and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increasing cost of the Company's operations. Unlike most industrial companies, nearly all assets and liabilities of the Company are monetary. As a result, interest rates have a greater impact on the Company's performance than do the effects of general levels of inflation. In addition, interest rates do not necessarily move in the direction of, or to the same extent as the price of goods and services.

IMPACT OF NEW ACCOUNTING STANDARDS

NEW ACCOUNTING PRONOUNCEMENT - ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company adopted the provisions of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," effective January 1, 2001. This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. Changes in the fair value of the derivative financial instruments are reported in either net income or as a component of comprehensive income. Consequently, there may be increased volatility in net income, comprehensive income, and stockholders' equity on an ongoing basis as a result of accounting for derivatives in accordance with SFAS No. 133.

Special hedge accounting treatment is permitted only if specific criteria are met, including a requirement that the hedging relationship be highly effective both at inception and on an ongoing basis. Accounting for hedges varies based on the type of hedge - fair value or cash flow. Results of effective hedges are recognized in current earnings for fair value hedges and in other comprehensive income for cash flow hedges. Ineffective portions of hedges are recognized immediately in earnings and are not deferred.

The Company has certain embedded derivative instruments related to a deposit product and two debt securities that have costs and returns linked to the performance of the NASDAQ 100 index. Management determined that these debt securities and the deposit product do not qualify for hedge accounting under SFAS No. 133. The embedded derivatives have been separated from the underlying host instruments for financial reporting purposes and accounted for at fair value. In connection with the adoption of SFAS No. 133 as of January 1, 2001, the Company recorded a charge to earnings for a transition adjustment of \$159,000 (\$95,000, after-tax) for the net impact of recording these embedded derivatives on the consolidated balance sheet at fair value. Due to the insignificance of the amount, the transition adjustment is not reflected as a cumulative effect of a change in accounting principle or the consolidated statement of income for the year ended December 31, 2001 but is instead recorded in net securities losses.

The total amortized cost and estimated fair value of these two debt securities (including the embedded derivatives, which are classified in the consolidated balance sheet with the underlying host instrument) is \$6.2 million and \$6.2 million, respectively, at December 31, 2001 and \$7.0 and \$6.7, respectively, at December 31, 2000. The securities' rate of return is based on an original NASDAQ 100 index value, with the index value resetting annually over a five-year period. The rate of return is capped on these debt securities as follows: \$3.000 million have a 35% annual rate of return cap and \$4.000 million have a 25% annual rate of return cap. The \$4.000 million security has a guaranteed rate of return of 2% regardless of the performance of the NASDAQ 100 index over its five year period. The securities are scheduled to mature in 2005 and the Company is guaranteed to receive the face value of the securities at maturity. These two debt securities are valued similar to zero coupon bonds coupled with the value of NASDAQ 100 futures contracts. The primary purpose of these debt securities is to provide a certain level of hedging related to a deposit product the Company offered in 2000 that has similar characteristics to the bonds. The two debt securities were sold in 2002 approximating their carrying values at December 31, 2001.

As of December 31, 2001 and 2000, the face value of the NASDAQ 100 deposit product was \$1.3 million and \$1.4 million, respectively, with an estimated fair value (including the embedded derivative, which is classified in the consolidated balance sheet with the underlying host instrument) of \$1.0 million and \$1.2 million, respectively. The NASDAQ 100 deposit product is a five year certificate of deposit with a maturity date in July 2005. The deposit's interest rate is based on an original NASDAQ 100 index value, with the index value resetting annually over a five-year period. The maximum annual interest rate is 20%, and the Company has guaranteed the return of the original deposit balance to the customer (i.e. the minimum rate for the five period cannot be negative). The Company does not currently offer the NASDAQ 100 deposit product and does not currently intend to re-introduce this product in the foreseeable future.

As of January 1, 2001, the Company had recorded on its consolidated balance sheet an asset of \$800,000 and a liability of \$160,000 representing the estimated fair values of both embedded derivatives related to the debt securities and time deposit product, respectively, linked to the NASDAQ 100 index. During the year ended December 31, 2001, the Company recorded a \$640,000 net loss related to the adjustment of the embedded derivatives to estimated fair value, which was recorded in net gain (loss) on securities transactions on the consolidated statement of income. As of December 31, 2001, both the embedded derivatives related to the debt securities and time deposit product linked to the NASDAQ 100 index were completely written-off as these embedded derivatives had no value.

At December 31, 2001, the Company has no other derivatives as currently defined by SFAS No. 133.

NEW ACCOUNTING PRONOUNCEMENT - ACCOUNTING FOR CERTAIN TRANSITIONS INVOLVING STOCK COMPENSATION

In March 2000, the FASB issued FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation". FASB Interpretation No. 44 clarifies the application of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" for certain issues. The adoption of this Interpretation on July 1, 2000 did not have a material effect on the Company's consolidated financial statements.

NEW ACCOUNTING PRONOUNCEMENT - ACCOUNTING FOR TRANSFERS AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES

In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", a replacement of SFAS No. 125. SFAS No. 140 addresses implementation issues that were identified in applying SFAS No. 125. This statement revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, but it carries over most of the provisions of SFAS No. 125 without reconsideration. SFAS No. 140 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. SFAS No. 140 is effective for recognition and reclassification of collateral and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. This statement is to be applied prospectively with certain exceptions. Other than those exceptions, earlier or retroactive application is not permitted. The adoption of SFAS No. 140 did not have a material effect on the Company's consolidated financial statements.

NEW ACCOUNTING PRONOUNCEMENT - BUSINESS COMBINATIONS AND GOODWILL AND OTHER INTANGIBLE ASSETS

In July 2001, the FASB issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. In addition, the provisions of Statement No. 141 apply to all purchase method business combinations completed after June 30, 2001. SFAS 141 also specifies the criteria intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill. SFAS 142 will require that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS 142. SFAS 142 will also require that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated

residual values, and reviewed for impairment in accordance with SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. Effective January 1, 2002, SFAS No. 121 was superceded by SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

Currently, the FASB has stated that the unidentifiable intangible asset acquired in the acquisition of a bank or thrift (including acquisitions of branches), where the fair value of the liabilities assumed exceeds the fair value of the assets acquired, should continue to be accounted for under SFAS No. 72, "Accounting for Certain Acquisitions of Banking or Thrift Institutions." Under SFAS No. 72, all of the intangible assets associated with branch acquisitions recorded on the Company's consolidated balance sheet as of December 31, 2001 will continue to be amortized. The FASB has announced that additional research will be performed to decide whether unidentifiable intangible assets recorded under SFAS No. 72 should be accounted for similarly to goodwill under SFAS No. 142. However, issuance of final opinion with respect to this matter is not expected until the fourth quarter of 2002.

The Company adopted the provisions of Statement 141 in 2001. The adoption of this Statement did not have an impact on the Company's consolidated financial statements. The Company is required to adopt the provisions of Statement 142 effective January 1, 2002. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001 continued to be amortized prior to the adoption of Statement 142.

SFAS No. 141 will require upon adoption of SFAS No. 142, that the Company evaluate its existing intangible assets and goodwill that were acquired in a prior purchase business combination, and to make any necessary reclassifications in order to conform with the new criteria in SFAS No. 141 for recognition apart from goodwill. Upon adoption of SFAS No. 142, the Company will be required to reassess the useful lives and residual values of all intangible assets acquired in purchase business combinations, and make any necessary amortization period adjustments by the end of the first interim period after adoption. In addition, to the extent an intangible assets is identified as having an indefinite useful life, the Company will be required to test the intangible asset for impairment in accordance with the provisions of SFAS No. 142 within the first interim period.

In connection with the transitional goodwill impairment evaluation, SFAS No. 142 requires the Company to perform an assessment of whether there is an indication that goodwill is impaired as of the date of adoption based upon criteria contained in SFAS No. 142. Any transitional impairment loss would be recognized as the cumulative effect of a change in accounting principle in the Company's consolidated statement of income. At this time, the Company has not completed its transitional goodwill impairment evaluation. However, the Company does not anticipate there will be any significant transitional impairment losses from the adoption of SFAS No. 142.

Prior to the adoption of SFAS No. 142, goodwill and other intangible assets were being amortized on a straight-line basis over periods ranging from 10 years to 25 years from the acquisition date. The Company reviewed goodwill and other intangible assets on a periodic basis for events or changes in circumstances that may have indicated that the carrying amount of goodwill was not recoverable.

At December 31, 2001, the Company had unamortized goodwill related to its acquisitions of First National Bancorp, Inc. (FNB) in June 2001, M. Griffith Inc. in May 2000 (see note 2) and other bank acquisitions totaling \$15.5 million. The amortization of this goodwill amounted to \$.8 million for the year ended December 31, 2001 (\$1.0 million when annualized for a full year's amortization of the FNB goodwill). In accordance with SFAS No. 142, the Company will no longer amortize this goodwill subsequent to December 31, 2001, which will reduce non-interest expenses by \$.8 million in 2002, as compared to 2001.

At December 31, 2001, the Company had unidentified intangible assets accounted for under SFAS No. 72 of approximately \$33.0 million related to various branch acquisitions (see note 2). This intangible asset is currently excluded for the scope of SFAS No. 142. The amortization expense related to these unidentified intangible assets totaled \$2.7 million for the year ended December 31, 2001. As noted above, while the FASB is reconsidering the exclusion of this type of intangible asset from the scope of SFAS No. 142, at the present time this intangible asset will continue to be amortized.

At December 31, 2001, the Company had core deposit intangible assets related to various branch acquisitions of \$2.2 million. The amortization of these intangible assets amounted to \$.7 million during the years ended December 31, 2001. In accordance with SFAS No. 142, these intangible assets will continue to be amortized.

NEW ACCOUNTING PRONOUNCEMENT - ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS

On August 16, 2001, the FASB issued SFAS No. 143 "Accounting for Asset Retirement Obligations." Statement 143 addresses financial accounting and reporting for obligations associated with retirement of tangible long-lived assets and the associated asset retirement costs. Statement 143 applies to all entities. This Statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. Under this Statement, the liability is discounted and the accretion expense is recognized using the credit-adjusted risk-free interest rate in effect when the liability was initially recognized. The FASB issued this Statement to provide consistency for the accounting and reporting of liabilities associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. Earlier application is permitted. The Company does not expect a material impact on its consolidated financial statements when this Statement is adopted.

NEW ACCOUNTING PRONOUNCEMENT - ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS

On October 3, 2001, The FASB issued SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets". This Statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This Statement supersedes SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." This Statement also supersedes the accounting and reporting provisions of APB Opinion No. 30 "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." The changes in this Statement improve financial reporting by requiring that one accounting model be used for long-lived assets to be disposed of by broadening the presentation of discontinued operations to include more disposal transactions. This Statement is effective for financial statements issued for fiscal years beginning after December 15, 2001 and interim periods within those fiscal years. The provisions of this Statement are to be applied prospectively. The Company does not expect a material impact on its consolidated financial statements when this Statement is adopted.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

MARKET RISK

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

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

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

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

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

The model is first run under an assumption of a flat rate scenario (i.e. no change in current interest rates) with a static balance sheet over a 12-month period. A second and third model are run in which a gradual increase of 200 bp and a gradual decrease of 150 bp takes place over a 12 month period. A fourth and fifth model are run in which a gradual increase and decrease, respectively, of 100 bp takes place over a 12 month period. Under these scenarios, assets subject to prepayments are adjusted to account for faster or slower prepayment assumptions. Any investment securities or borrowings that have callable options embedded into them are handled accordingly based on the interest rate scenario. The resultant changes in net interest income are then measured against the flat rate scenario.

In the declining rate scenarios, net interest income is projected to remain relatively unchanged when compared to the flat rate scenario through the simulation period. The level of net interest income remaining unchanged is a result of adjustable rate loans repricing, and increased cash flow as a result of higher prepayments on loans reinvested at lower market rates, callable securities reinvested at lower market rates offset by continued time deposits re-pricing downward.

In the rising rate scenarios, net interest income is projected to experience a decline from the flat rate scenario. Net interest income is projected to remain at lower levels than in a flat rate scenario through the simulation period primarily due to a lag in assets repricing while funding costs increase. The potential impact on earnings is dependent on the ability to lag deposit repricing.

Net interest income for the next twelve months in a + 200/- 150 bp scenario is within the internal policy risk limits of a not more than a 5% change in net interest income. The following table summarizes the percentage change in net interest income in the rising and declining rate scenarios over a 12 month period from the forecasted net interest income in the flat rate scenario using the December 31, 2001 balance sheet position:

INTEREST RATE SENSITIVITY ANALYSIS

Change in interest rates (in basis points)	Percent change in net interest income
+200	(1.54%)
+100	(0.63%)
-100	0.16%
-150	(0.01%)

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

MANAGEMENT'S STATEMENT OF RESPONSIBILITY

Responsibility for the integrity, objectivity, consistency, and fair presentation of the financial information presented in this Annual Report rests with NBT Bancorp Inc. management. The accompanying consolidated financial statements and related information have been prepared in conformity with accounting principles generally accepted in the United States of America consistently applied and include, where required, amounts based on informed judgments and management's best estimates.

Management maintains a system of internal controls and accounting policies and procedures to provide reasonable assurance of the accountability and safeguarding of Company assets and of the accuracy of financial information. These procedures include management evaluations of asset quality and the impact of economic events, organizational arrangements that provide an appropriate segregation of responsibilities and a program of internal audits to evaluate independently the adequacy and application of financial and operating controls and compliance with Company policies and procedures.

The Board of Directors has appointed a Risk Management Committee composed entirely of directors who are not employees of the Company. The Risk Management Committee is responsible for recommending to the Board the independent auditors to be retained for the coming year. The Risk Management Committee meets periodically, both jointly and privately, with the independent auditors, with our internal auditors, as well as with representatives of management, to review accounting, auditing, internal control structure and financial reporting matters. The Risk Management Committee reports to the Board on its activities and findings.

/s/ Daryl R. Forsythe

Daryl R. Forsythe
President and Chief Executive Officer

/s/ Michael J. Chewens

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
NBT Bancorp Inc.:

We have audited the accompanying consolidated balance sheets of NBT Bancorp Inc. and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, changes in stockholders' equity, cash flows and comprehensive income for each of the years in the three-year period ended December 31, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NBT Bancorp Inc. and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

Albany, New York
January 28, 2002

NBT BANCORP INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2001 and 2000

(in thousands, except share and per share data)

ASSETS	2001	2000
	-----	-----
Cash and due from banks	\$ 123,201	114,848
Short term interest bearing accounts	6,756	15,595
Trading securities, at fair value	126	20,540
Securities available for sale, at fair value	909,341	936,757
Securities held to maturity (fair value \$101,495 and \$109,835)	101,604	110,415
Federal Reserve and Federal Home Loan Bank stock	21,784	31,686
Loans and leases	2,339,636	2,247,655
Less allowance for loan and lease losses	44,746	32,494
	-----	-----
Net loans and leases	2,294,890	2,215,161
Premises and equipment, net	62,685	56,116
Goodwill and intangible assets, net	50,688	45,908
Other assets	67,127	58,480
	-----	-----
Total assets	\$3,638,202	3,605,506
	=====	=====
LIABILITIES, GUARANTEED PREFERRED BENEFICIAL INTERESTS IN COMPANY'S JUNIOR SUBORDINATE DEBENTURES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand (noninterest bearing)	\$ 431,407	372,181
Savings, NOW, and money market	1,097,156	970,859
Time	1,387,049	1,500,828
	-----	-----
Total deposits	2,915,612	2,843,868
Short-term borrowings	122,013	184,704
Long-term debt	272,331	240,529
Other liabilities	44,891	49,764
	-----	-----
Total liabilities	3,354,847	3,318,865
	-----	-----
Guaranteed preferred beneficial interests in Company's junior subordinate debentures ("capital securities")	17,000	17,000
Stockholders' equity:		
Preferred stock, \$0.01 par at December 31, 2001 and 2000; shares authorized - 2,500,000		
Common stock, \$0.01 par value and 30,000,000 shares authorized at December 31, 2001 and 2000; issued 34,252,661 and 33,205,742 at December 31, 2001 and 2000, respectively	343	332
Additional paid-in-capital	209,176	195,422
Retained earnings	72,531	88,921
Accumulated other comprehensive income (loss)	3,921	(1,934)
Common stock in treasury, at cost, 1,147,848 and 672,773 shares	(19,616)	(13,100)
	-----	-----
Total stockholders' equity	266,355	269,641
	-----	-----
Total liabilities, guaranteed preferred beneficial interests in Company's junior subordinate debentures and stockholders' equity	\$3,638,202	3,605,506
	=====	=====

See accompanying notes to consolidated financial statements.

NBT BANCORP INC. AND SUBSIDIARIES

Consolidated Statements of Income

Years ended December 31, 2001, 2000 and 1999
(in thousands, except per share data)

	2001	2000	1999
	-----	-----	-----
Interest, fee, and dividend income:			
Interest and fees on loans and leases	\$187,188	181,699	149,999
Securities available for sale	60,241	69,346	58,911
Securities held to maturity	5,232	6,137	8,480
Trading securities	649	8	1
Other	2,124	3,191	3,458
	-----	-----	-----
Total interest, fee, and dividend income	255,434	260,381	220,849
	-----	-----	-----
Interest expense:			
Deposits	98,522	107,293	82,476
Short-term borrowings	5,365	11,940	7,268
Long-term debt	13,615	13,770	13,132
	-----	-----	-----
Total interest expense	117,502	133,003	102,876
	-----	-----	-----
Net interest income	137,932	127,378	117,973
Provision for loan losses	31,929	10,143	6,896
	-----	-----	-----
Net interest income after provision for loan losses	106,003	117,235	111,077
	-----	-----	-----
Noninterest income:			
Service charges on deposit accounts	12,756	10,193	9,278
Broker/dealer and insurance revenue	4,500	2,723	46
Trust	3,958	4,047	3,959
Net securities (losses) gains	(7,692)	(2,273)	1,000
Gain on sale of branch building	1,367	-	-
Other	9,245	7,891	8,044
	-----	-----	-----
Total noninterest income	24,134	22,581	22,327
	-----	-----	-----
Noninterest expense:			
Salaries and employee benefits	48,419	44,802	40,527
Occupancy	8,704	7,761	6,804
Equipment	7,228	7,271	7,046
Data processing and communications	10,690	8,206	7,544
Professional fees and outside services	6,338	5,082	4,252
Office supplies and postage	4,639	3,976	4,106
Amortization of intangible assets	4,248	3,049	1,764
Merger, acquisition and reorganization costs	15,322	23,625	835
Writedowns of lease residual values	3,529	664	27
Deposit overdraft write-offs	2,125	-	-
Capital securities	1,278	1,633	582
Other	13,338	13,065	11,292
	-----	-----	-----
Total noninterest expense	125,858	119,134	84,779
	-----	-----	-----
Income before income tax expense	4,279	20,682	48,625
Income tax expense	542	6,528	16,033
	-----	-----	-----
Net income	\$ 3,737	14,154	32,592
	=====	=====	=====
Earnings per share:			
Basic	\$ 0.11	0.44	1.01
	=====	=====	=====
Diluted	\$ 0.11	0.44	1.00
	=====	=====	=====

See accompanying notes to consolidated financial statements.

Note: All per share data has been restated to give retroactive effect to stock dividends and pooling-of-interests.

NBT BANCORP INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity
Years ended December 31, 2001, 2000 and 1999

(in thousands except share and per share data)

	COMMON STOCK	ADDITIONAL PAID-IN- CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPRE- HENSIVE (LOSS)/INCOME	COMMON STOCK IN TREASURY	TOTAL
Balance at December 31, 1998	\$ 32,300	149,924	87,982	2,360	(12,962)	259,604
Net income	-	-	32,592	-	-	32,592
Issuance of 621,143 shares for a stock dividend	621	10,994	(11,615)	-	-	-
Cash dividends - \$0.656 per share	-	-	(15,729)	-	-	(15,729)
Payment in lieu of fractional shares	-	-	(16)	-	-	(16)
Purchase of 563,391 treasury shares	-	-	-	-	(9,628)	(9,628)
Issuance of 436,957 shares to employee benefit plans and other stock plans, including tax benefit	116	(20)	-	-	7,026	7,122
Retirement of 205,999 shares of treasury stock of pooled companies	(206)	(2,398)	-	-	2,604	-
Other comprehensive loss	-	-	-	(29,117)	-	(29,117)
Balance at December 31, 1999	32,831	158,500	93,214	(26,757)	(12,960)	244,828
Net income	-	-	14,154	-	-	14,154
Cash dividends - \$0.68 per share	-	-	(18,424)	-	-	(18,424)
Payment in lieu of fractional shares	-	-	(23)	-	-	(23)
Purchase of 139,393 treasury shares	-	-	-	-	(1,680)	(1,680)
Issuance of 56,606 shares to employee benefit plans and other stock plans, including tax benefit	7	582	-	-	578	1,167
Change of \$1.00 stated value per share to \$0.01 par value per share	(32,509)	32,509	-	-	-	-
Issuance of 420,989 shares to purchase M. Griffith, Inc.	4	4,792	-	-	-	4,796
Retirement of 75,763 shares of treasury stock of pooled company	(1)	(961)	-	-	962	-
Other comprehensive income	-	-	-	24,823	-	24,823
Balance at December 31, 2000	332	195,422	88,921	(1,934)	(13,100)	269,641
Net income	-	-	3,737	-	-	3,737
Cash dividends - \$0.68 per share	-	-	(20,123)	-	-	(20,123)
Issuance of 1,075,366 shares to purchase First National Bancorp, Inc.	11	15,991	-	-	-	16,002
Payment in lieu of fractional shares	-	-	(4)	-	-	(4)
Purchase of 727,037 treasury shares	-	-	-	-	(11,126)	(11,126)
Issuance of 223,515 shares to employee benefit plans and other stock plans, including tax benefit	1	(1,529)	-	-	3,901	2,373
Retirement of 63,034 shares of treasury stock of pooled company	(1)	(708)	-	-	709	-
Other comprehensive income	-	-	-	5,855	-	5,855
Balance at December 31, 2001	\$ 343	209,176	72,531	3,921	(19,616)	266,355

See accompanying notes to consolidated financial statements.

Note: Cash dividends per share represent the historical cash dividends per share of NBT Bancorp Inc., adjusted to give retroactive effect to stock dividends. All other share and per share data is adjusted to give retroactive effect to stock dividends and pooling-of-interests.

NBT BANCORP INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years ended December 31, 2001, 2000 and 1999
(in thousands)

	2001	2000	1999
Operating activities:			
Net income	\$ 3,737	14,154	32,592
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	31,929	10,143	6,896
Depreciation of premises and equipment	6,197	6,646	6,253
Net accretion on securities	(5,369)	(678)	(1,211)
Amortization of intangible assets	4,248	3,049	1,764
Deferred income tax (benefit) expense	(6,333)	(2,194)	2,067
Proceeds from sale of loans held for sale	16,570	25,425	41,899
Originations and purchases of loans held for sale	(14,360)	(20,950)	(40,471)
Purchase of trading securities	(6,194)	(5,250)	(24,257)
Proceeds from sales of trading securities	29,844	5,261	24,305
Net loss on disposal of premises and equipment	164	-	-
Net gains on sales of loans held for sale	(27)	(172)	(342)
Net security losses (gains)	7,692	2,273	(1,000)
Net (gain) loss on sales of other real estate owned	(17)	28	(159)
Writedowns on other real estate owned	253	235	220
Gain on sale of branch building	(1,367)	-	-
Tax benefit from exercise of stock options	327	660	296
Net decrease (increase) in other assets	(5,471)	(1,725)	1,221
Net (decrease) increase in other liabilities	(8,579)	24,784	1,622
	53,244	61,689	51,695
Investing activities:			
Net cash and cash equivalents provided by acquisitions	9,509	74,434	116,911
Securities available for sale:			
Proceeds from maturities, calls and principal paydowns	335,280	98,755	139,519
Proceeds from sales	43,318	128,889	189,202
Purchases	(324,701)	(159,984)	(469,044)
Securities held to maturity:			
Proceeds from maturities, calls, and principal paydowns	40,427	34,347	41,952
Purchases	(26,121)	(23,445)	(45,292)
Net increase in loans	(39,589)	(306,113)	(276,761)
Net decrease (increase) in Federal Reserve and FHLB stock	9,902	(505)	(4,553)
Purchases of premises and equipment, net	(8,451)	(1,642)	(11,602)
Proceeds from sales of other real estate owned	3,476	4,272	5,451
	43,050	(150,992)	(314,217)
Financing activities:			
Net (decrease) increase in deposits	(36,214)	132,950	144,106
Net (decrease) increase in short-term borrowings	(63,437)	13,129	59,328
Proceeds from issuance of long-term debt	247,083	5,000	75,000
Repayments of long-term debt	(215,005)	(22,543)	(7,425)
Proceeds from the issuance of shares to employee benefit plans and other stock plans	2,046	507	6,826
Issuance of capital securities	-	-	17,000
Purchase of treasury stock	(11,126)	(1,680)	(9,628)
Cash dividends and payment for fractional shares	(20,127)	(18,447)	(15,745)
	(96,780)	108,916	269,462
Net increase (decrease) in cash and cash equivalents	(486)	19,613	6,940
Cash and cash equivalents at beginning of year	130,443	110,830	103,890
Cash and cash equivalents at end of year	\$ 129,957	130,443	110,830
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	\$ 124,362	125,886	100,590
Income taxes	8,361	10,093	15,121
Noncash investing activities:			
Transfer of securities available for sale to trading securities	\$ 3,804	20,286	-
Adjustment of securities AFS to fair value and decrease in net unrealized loss on securities AFS transferred to investment securities held to maturity, net of tax	-	24,823	29,117
Transfer of held to maturity securities to securities available for sale	\$ -	-	184,007
Transfer of loans to other real estate owned	\$ 3,400	3,634	4,138
Fair value of assets acquired	\$ 109,599	43,873	-
Fair value of liabilities assumed	\$ 112,134	133,891	136,780
Common stock issued for acquisitions	\$ 16,002	4,796	-

See accompanying notes to consolidated financial statements.

NBT BANCORP INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

Years ended December 31, 2001, 2000 and 1999

(in thousands)

	2001	2000	1999
	-----	-----	-----
Net income	\$3,737	14,154	32,592
	-----	-----	-----
Other comprehensive income (loss), net of tax:			
Unrealized net holding gains (losses) arising during the year (pre-tax amounts of \$2,779; \$36,323 and \$(50,196))	1,641	23,334	(32,015)
Net unrealized gain on securities transferred from investment securities held to maturity to securities available for sale (pre tax amounts of \$-, \$- and \$4,877)	-	-	3,414
Less: Reclassification adjustment for net losses (gains) related to securities available for sale included in net income (pre-tax amounts of \$7,124; \$2,320 and \$(1,000))	4,214	1,489	(516)
	-----	-----	-----
Total other comprehensive income (loss)	5,855	24,823	(29,117)
	-----	-----	-----
Comprehensive income	\$9,592	38,977	3,475
	=====	=====	=====

See accompanying notes to consolidated financial statements

December 31, 2001 and 2000

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The following is a description of significant policies and practices:

CONSOLIDATION

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

SEGMENT REPORTING

The Company's operations are solely in the community banking industry and include the provision of traditional banking services. The Company operates solely in the geographical regions of central and northern New York and northeastern Pennsylvania. Management makes operating decisions and assesses performance based on an ongoing review of its community banking operations, which constitute the Company's only reportable segment.

CASH EQUIVALENTS

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

SECURITIES

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

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

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

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

LOANS, LEASES, AND ALLOWANCE FOR LOAN AND LEASE LOSSES

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

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

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

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

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

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

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

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

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

PREMISES AND EQUIPMENT

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

OTHER REAL ESTATE OWNED

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

TREASURY STOCK

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

INCOME TAXES

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

STOCK-BASED COMPENSATION

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

PER SHARE AMOUNTS

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

All share and per share data has been restated to give retroactive effect to pooling-of-interests and stock dividends.

OTHER FINANCIAL INSTRUMENTS

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

COMPREHENSIVE INCOME

At the Company, comprehensive income represents net income plus other comprehensive income, which consists of the net change in unrealized gains or losses on securities available for sale, net unrealized gains from the transfer of held to maturity securities to available for sale, net of income taxes, for the period. Accumulated other comprehensive income represents the net unrealized gains or losses on securities available for sale, net of income taxes, as of the consolidated balance sheet dates.

PENSION COSTS

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

TRUST

Assets held by the Company in a fiduciary or agency capacity for its customers are not included in the accompanying consolidated balance sheets, since such assets are not assets of the Company. Such assets totaled \$1.3 billion and \$1.4 billion at December 31, 2001 and 2000, respectively. Trust income is recognized on the accrual method based on contractual rates applied to the balances of trust accounts.

NEW ACCOUNTING PRONOUNCEMENT - ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company adopted the provisions of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," effective January 1, 2001. This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. Changes in the fair value of the derivative financial instruments are reported in either net income or as a component of comprehensive income. Consequently, there may be increased volatility in net income, comprehensive income, and stockholders' equity on an ongoing basis as a result of accounting for derivatives in accordance with SFAS No. 133.

Special hedge accounting treatment is permitted only if specific criteria are met, including a requirement that the hedging relationship be highly effective both at inception and on an ongoing basis. Accounting for hedges varies based on the type of hedge - fair value or cash flow. Results of effective hedges are recognized in current earnings for fair value hedges and in other comprehensive income for cash flow hedges. Ineffective portions of hedges are recognized immediately in earnings and are not deferred.

The Company has certain embedded derivative instruments related to a deposit product and two debt securities that have costs and returns linked to the performance of the NASDAQ 100 index. Management determined that these debt securities and the deposit product do not qualify for hedge accounting under SFAS No. 133. The embedded derivatives have been separated from the underlying host instruments for financial reporting purposes and accounted for at fair value. In connection with the adoption of SFAS No. 133 as of January 1, 2001, the Company recorded a charge to earnings for a transition adjustment of \$159,000 (\$95,000, after-tax) for the net impact of recording these embedded derivatives on the consolidated balance sheet at fair value. Due to the insignificance of the amount, the transition adjustment is not reflected as a cumulative effect of a change in accounting principle or the consolidated statement of income for the year ended December 31, 2001 but is instead recorded in net securities (losses) gains.

The total amortized cost and estimated fair value of these two debt securities (including the embedded derivatives, which are classified in the consolidated balance sheet with the underlying host instrument) is \$6.2 million and \$6.2 million, respectively, at December 31, 2001 and \$7.0 million and \$6.4 million, respectively, at December 31, 2000. The securities' rate of return is based on an original NASDAQ 100 index value, with the index value resetting annually over a five-year period. The rate or return is capped on these debt securities as follows: \$3.0 million have a 35% annual rate of return cap and \$4.0 million have a 25% annual rate of return cap. The \$4.000 million security has a guaranteed rate of return of 2% regardless of the performance of the NASDAQ 100 index over its five year period. The securities are scheduled to mature in 2005 and the Company is guaranteed to receive the face value of the securities at maturity. These two debt securities are valued similar to zero coupon bonds coupled with the value of NASDAQ 100 futures contracts. The primary purpose of these debt securities is to provide a certain level of hedging related to a deposit product the Company offered in 2000 that has similar characteristics to the bonds. The two debt securities were sold in 2002 at amounts approximating their carrying values at December 31, 2001.

As of December 31, 2001 and 2000, the face value of the NASDAQ 100 deposit product was \$1.3 million and \$1.4 million, respectively, with an estimated fair value (including the embedded derivative, which is classified in the consolidated balance sheet with the underlying host instrument) of \$1.0 million and \$1.2 million, respectively. The NASDAQ 100 deposit product is a five year certificate of deposit with a maturity date in July 2005. The deposit's interest rate is based on an original NASDAQ 100 index value, with the index value resetting annually over a five-year period. The maximum annual interest rate is 20%, and the Company has guaranteed the return of the original deposit balance to the customer (i.e. the minimum rate for the five period cannot be negative). The Company does not currently offer the NASDAQ 100 deposit product and does not currently intend to re-introduce this product in the foreseeable future.

As of January 1, 2001, the Company had recorded on its consolidated balance sheet an asset of \$800,000 and a liability of \$160,000 representing the estimated fair values of both the embedded derivatives related to the debt securities and time deposit product, respectively, linked to the NASDAQ 100 index. During the year ended December 31, 2001, the Company recorded a \$640,000 net loss related to the adjustment of the embedded derivatives to estimated fair value, which was recorded in net gain (loss) on securities transactions on the consolidated statement of income. As of December 31, 2001, the embedded derivatives related to the debt securities and time deposit product linked to the NASDAQ 100 index had no value.

At December 31, 2001, the Company has no other derivatives as currently defined by SFAS No. 133.

NEW ACCOUNTING PRONOUNCEMENT - ACCOUNTING FOR CERTAIN TRANSITIONS INVOLVING STOCK COMPENSATION

In March 2000, the FASB issued FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation". FASB Interpretation No. 44 clarifies the application of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" for certain issues. The adoption of this Interpretation on July 1, 2000 did not have a material effect on the Company's consolidated financial statements.

NEW ACCOUNTING PRONOUNCEMENT - ACCOUNTING FOR TRANSFERS AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES

In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", a replacement of SFAS No. 125. SFAS No. 140 addresses implementation issues that were identified in applying SFAS No. 125. This statement revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, but it carries over most of the provisions of SFAS No. 125 without reconsideration. SFAS No. 140 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. SFAS No. 140 is effective for recognition and reclassification of collateral and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. This statement is to be applied prospectively with certain exceptions. Other than those exceptions, earlier or retroactive application is not permitted. The adoption of SFAS No. 140 did not have a material effect on the Company's consolidated financial statements.

NEW ACCOUNTING PRONOUNCEMENT - BUSINESS COMBINATIONS AND GOODWILL AND OTHER INTANGIBLE ASSETS

In July 2001, the FASB issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. In addition, the provisions of Statement No. 141 apply to all purchase method business combinations completed after June 30, 2001. SFAS 141 also specifies the criteria intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill. SFAS 142 will require that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS 142. SFAS 142 will also require that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. Effective January 1, 2002, SFAS No. 121 was superceded by SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

Currently, the FASB has stated that the unidentifiable intangible asset acquired in the acquisition of a bank or thrift (including acquisitions of branches), where the fair value of the liabilities assumed exceeds the fair value of the assets acquired, should continue to be accounted for under SFAS No. 72, "Accounting for Certain Acquisitions of Banking or Thrift Institutions." Under SFAS No. 72, all of the intangible assets associated with branch acquisitions recorded on the Company's consolidated balance sheet as of December 31, 2001 will continue to be amortized. The FASB has announced that additional research will be performed to decide whether unidentifiable intangible assets recorded under SFAS No. 72 should be accounted for similarly to goodwill under SFAS No. 142. However, issuance of final opinion with respect to this matter is not expected until the fourth quarter of 2002.

The Company adopted the provisions of Statement 141 in 2001. The adoption of this Statement did not have an impact on the Company's consolidated financial statements. The Company is required to adopt the provisions of Statement 142 effective January 1, 2002. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001 continued to be amortized prior to the adoption of Statement 142.

SFAS No. 141 will require upon adoption of SFAS No. 142, that the Company evaluate its existing intangible assets and goodwill that were acquired in a prior purchase business combination, and to make any necessary reclassifications in order to conform with the new criteria in SFAS No. 141 for recognition apart from goodwill. Upon adoption of SFAS No. 142, the Company will be required to reassess the useful lives and residual values of all intangible assets acquired in purchase business combinations, and make any necessary amortization period adjustments by the end of the first interim period after adoption. In addition, to the extent an intangible asset is identified as having an indefinite useful life, the Company will be required to test the intangible asset for impairment in accordance with the provisions of SFAS No. 142 within the first interim period.

In connection with the transitional goodwill impairment evaluation, SFAS No. 142 requires the Company to perform an assessment of whether there is an indication that goodwill is impaired as of the date of adoption based upon criteria contained in SFAS No. 142. Any transitional impairment loss would be recognized as the cumulative effect of a change in accounting principle in the Company's consolidated statement of income. At this time, the Company has not completed its transitional goodwill impairment evaluation. However, the Company does not anticipate there will be any significant transitional impairment losses from the adoption of SFAS No. 142.

Prior to the adoption of SFAS No. 142, goodwill and other intangible assets were being amortized on a straight-line basis over periods ranging from 10 years to 25 years from the acquisition date. The Company reviewed goodwill and other intangible assets on a periodic basis for events or changes in circumstances that may have indicated that the carrying amount of goodwill was not recoverable.

At December 31, 2001, the Company had unamortized goodwill related to its acquisitions of First National Bancorp, Inc. (FNB) in June 2001, M. Griffith Inc. in May 2000 (see note 2) and other bank acquisitions totaling \$15.5 million. The amortization of this goodwill amounted to \$.8 million for the year ended December 31, 2001 (\$1.0 million when annualized for a full year's amortization of the FNB goodwill). In accordance with SFAS No. 142, the Company will no longer amortize this goodwill subsequent to December 31, 2001, which will reduce non-interest expenses by \$.8 million in 2002, as compared to 2001.

At December 31, 2001, the Company had unidentifiable intangible assets accounted for under SFAS No. 72 of approximately \$33.0 million related to various branch acquisitions (see note 2). This intangible asset is currently excluded for the scope of SFAS No. 142. The amortization expense related to these unidentifiable intangible assets totaled \$2.7 million for the year ended December 31, 2001. As noted above, while the FASB is reconsidering the exclusion of this type of intangible asset from the scope of SFAS No. 142, at the present time this intangible asset will continue to be amortized.

At December 31, 2001, the Company had core deposit intangible assets related to various branch acquisitions of \$2.2 million. The amortization of these intangible assets amounted to \$.7 million during the year ended December 31, 2001. In accordance with SFAS No. 142, these intangible assets will continue to be amortized.

NEW ACCOUNTING PRONOUNCEMENT - ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS

On August 16, 2001, the FASB issued SFAS No. 143 "Accounting for Asset Retirement Obligations." Statement 143 addresses financial accounting and reporting for obligations associated with retirement of tangible long-lived assets and the associated asset retirement costs. Statement 143 applies to all entities. This Statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. Under this Statement, the liability is discounted and the accretion expense is recognized using the credit-adjusted risk-free interest rate in effect when the liability was initially recognized. The FASB issued this Statement to provide consistency for the accounting and reporting of liabilities associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. Earlier application is permitted. The Company does not expect a material impact on its consolidated financial statements when this Statement is adopted.

NEW ACCOUNTING PRONOUNCEMENT - ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS

On October 3, 2001, The FASB issued SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets". This Statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This Statement supersedes SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." This Statement also supersedes the accounting and reporting provisions of APB Opinion No. 30 "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." The changes in this Statement improve financial reporting by requiring that one accounting model be used for long-lived assets to be disposed of by broadening the presentation of discontinued operations to include more disposal transactions. This Statement is effective for financial statements issued for fiscal years beginning after December 15, 2001 and interim periods within those fiscal years. The provisions of this Statement are to be applied prospectively. The Company does not expect a material impact on its consolidated financial statements when this Statement is adopted.

(2) MERGER AND ACQUISITION ACTIVITY

On June 1, 2001, the Company completed the acquisition of First National Bancorp, Inc. (FNB) whereby FNB was merged with and into NBT Bancorp Inc. At the same time FNB's subsidiary, First National Bank of Northern New York (FNB Bank) was merged into NBT Bank, N.A. The acquisition was accounted for using the purchase method. As such, both the assets and liabilities assumed have been recorded on the consolidated balance sheet of the Company at estimated fair value as of the date of acquisition and the results of operations are included in the Company's consolidated statement of income from the acquisition date forward. To complete the transaction, the Company issued approximately 1,075,000 shares of its common stock valued at \$16.0 million. Goodwill, representing the cost over net assets acquired, was approximately \$7.0 million and was being amortized through December 31, 2001 on a straight-line basis based on a twenty year amortization period.

On September 14, 2001, the Company acquired \$14.4 million in deposits from Mohawk Community Bank. Unidentified intangible assets, accounted for in accordance with SFAS No. 72 and representing the excess of cost over net assets acquired, was \$665,000 and is being amortized over 15 years on a straight-line basis. Additionally, the Company identified \$119,000 of core deposit intangible asset.

On November 8, 2001, the Company, pursuant to a merger agreement dated June 18, 2001, completed its merger with CNB Financial Corp. (CNB) and its wholly owned subsidiary, Central National Bank (CNB Bank), whereby CNB was merged with and into NBT, and CNB Bank was merged with and into NBT Bank. CNB Bank then became a division of NBT Bank. In connection with the merger, CNB stockholders received 1.2 shares of the Company's common stock for each share of CNB stock and the Company issued approximately 8.9 million shares of common stock. The transaction is structured to be tax-free to shareholders of CNB and has been accounted for as a pooling-of-interests. Accordingly, these consolidated financial statements have been restated to present combined consolidated financial condition and results of operations of NBT and CNB as if the merger had been in effect for all years presented. At September 30, 2001, CNB had consolidated assets of \$983.1 million, deposits of \$853.7 million and equity of \$62.8 million. CNB Bank operated 29 full service banking offices in nine upstate New York counties.

The following table presents net interest income, net income, and earnings per share reported by CNB, NBT and the Company on a combined basis:

	FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	2001	2000
	(IN THOUSANDS, EXCEPT PER SHARE DATA)	
Net interest income:		
NBT	\$ 76,697	70,933
CNB	24,496	25,192
	-----	-----
Combined	\$ 101,193	96,125
	=====	=====
Net income:		
NBT	\$ 17,427	14,504
CNB	266	6,113
	-----	-----
Combined	\$ 17,693	20,617
	=====	=====
Basic earnings per share:		
NBT	\$ 0.72	0.62
CNB	0.04	0.82
Combined	0.54	0.64
Diluted earnings per share:		
NBT	\$ 0.72	0.62
CNB	0.04	0.81
Combined	0.54	0.63

On February 17, 2000, the Company consummated a merger, whereby Lake Ariel Bancorp, Inc. (Lake Ariel) and its subsidiaries were merged with and into the Company with each issued and outstanding share of Lake Ariel exchanged for 0.9961 shares of Bancorp common stock. The transaction resulted in the issuance of approximately 5.0 million shares of Bancorp common stock. Lake Ariel's commercial banking subsidiary was LA Bank, N.A.

On July 1, 2000, the Company consummated a merger, whereby Pioneer American Holding Company Corp. (Pioneer Holding Company) and its subsidiary were merged with and into the Company with each issued and outstanding share of Pioneer Holding Company exchanged for 1.805 shares of Bancorp common stock. The transaction resulted in the issuance of approximately 5.2 million shares of Bancorp common stock. Pioneer Holding Company's commercial banking subsidiary was Pioneer American Bank, N.A.

The Lake Ariel and Pioneer Holding Company mergers qualified as tax-free exchanges and were accounted for as poolings-of-interests. Accordingly, these consolidated financial statements have been restated to present the combined consolidated financial condition and results of operations of all companies as if the mergers had been in effect for all years presented.

LA Bank, N.A. and Pioneer Bank N.A. were commercial banks headquartered in Northeast Pennsylvania with approximately \$570 million and \$420 million, respectively, in assets at December 31, 1999, and twenty-two and eighteen branch offices, respectively, in five counties. Immediately following the Lake Ariel and Pioneer Holding Company mergers described above, Bancorp was the surviving holding company for NBT Bank, LA Bank, N.A., Pioneer American Bank, N.A. and NBT Financial Services, Inc. On November 10, 2000, LA Bank, N.A. changed its name to Pennstar. On December 9, 2000, Pioneer American Bank, N.A. was merged into Pennstar. On March 16, 2001, Pennstar was merged with and into NBT Bank and became a division of NBT Bank.

On May 5, 2000, the Company consummated the acquisition of M. Griffith, Inc. a Utica, New York based securities firm offering investment, financial advisory and asset-management services, primarily in the Mohawk Valley region. At that time, M. Griffith, Inc., a full-service broker/dealer and a Registered Investment Advisor, became a wholly-owned subsidiary of NBT Financial Services, Inc. The acquisition was accounted for using the purchase method. As such, both the assets acquired and liabilities assumed have been recorded on the consolidated balance sheet of the Company at estimated fair value as of the date of acquisition. M. Griffith, Inc.'s, results of operations are included in the Company's consolidated statement of income from the date of acquisition forward. To complete the transaction, the Company issued approximately 421,000 shares of its common stock, valued at \$4.8 million. Goodwill, representing the cost over net assets acquired, was \$3.4 million and was being amortized, prior to the adoption of SFAS No. 142 on January 1, 2002, over fifteen years on a straight-line basis.

On June 2, 2000, one of Bancorp's subsidiaries, LA Bank, N.A. (subsequently renamed Pennstar), purchased two branches from Mellon Bank. Deposits from the Mellon Bank branches were approximately \$36.7 million, including accrued interest payable. In addition, the Company received approximately \$32.2 million in cash as consideration for net liabilities assumed. The acquisition was accounted for using the purchase method. As such, both the assets acquired and liabilities assumed have been recorded on the consolidated balance sheet of the Company at estimated fair value as of the date of the acquisition. Unidentified intangible assets, accounted for in accordance with SFAS No. 72 and representing the excess of cost over net assets acquired, was \$4.3 million and is being amortized over 15 years on the straight-line basis. The branches' results of operations are included in the Company's consolidated statement of income from the date of acquisition forward.

On November 10, 2000, Pennstar purchased six branches from Sovereign Bank. Deposits from the Sovereign Bank branches were approximately \$96.8 million, including accrued interest payable. Pennstar also purchased commercial loans associated with the branches with a net book balance of \$42.4 million. In addition, the Company received \$40.9 million in cash consideration for net liabilities assumed. The acquisition was accounted for using the purchase method. As such, both the assets acquired and liabilities assumed have been recorded on the consolidated balance sheet of the Company at estimated fair value as of the date of the acquisition. Unidentified intangible assets, accounted for in accordance with SFAS No. 72 and representing the excess of cost over net assets acquired, was \$12.7 million and is being amortized over 15 years on a straight-line basis. The branches' results of operations are included in the Company's consolidated statement of income from the date of acquisition forward.

In August 1999, CNB purchased five branches from Astoria Federal Savings and Loan. Deposits from the Astoria branches were approximately \$156.5 million, including accrued interest payable. CNB also purchased approximately \$3.7 million in branch related assets, primarily the real and personal property associated with the branches, cash at the branches, as well as a limited amount of deposit related loans. In addition, CNB received \$133.9 million in cash considerations for net liabilities assumed. The acquisition was accounted for using the purchase method. As such, both the assets acquired and liabilities assumed have been recorded on the consolidated balance sheet of the Company at estimated fair value as of the date of the acquisition. Unidentified intangible assets, accounted for in accordance with SFAS No. 72 and representing the excess of cost over net assets acquired, was \$19.9 million and is being amortized over 15 years on a straight-line basis. The branches' results of operations are included in the Company's consolidated statement of income from the date of acquisition forward.

During 2001, the following merger, acquisition and reorganization costs were recognized:

Professional fees	\$ 5,956
Data processing	2,092
Severance	3,270
Branch closings	2,412
Advertising and supplies	313
Hardware and software writeoffs	402
Miscellaneous	877

	\$15,322
	=====

With the exception of hardware and software writeoffs and certain branch closing costs, all of the above costs have been or will be paid through normal cash flow from operations. At December 31, 2001, after payments of certain merger, acquisition and reorganization costs, the Company had a remaining accrued liability for merger, acquisition and reorganization costs incurred during 2001 as follows:

Professional fees	\$2,009
Data processing	241
Severance	3,074
Branch closings	1,601
Advertising and supplies	199
Miscellaneous	455

	\$7,579
	=====

With the exception of certain severance costs which will be paid out over a period of time consistent with the respective severance agreements, all of the above liabilities are expected to be paid during 2002.

During 2000, the following merger, acquisition and reorganization costs were recognized:

Professional fees	\$ 8,525
Data processing	2,378
Severance	7,278
Branch closings	1,736
Advertising and supplies	1,337
Hardware and software write-off	1,428
Miscellaneous	943

Total	\$23,625
	=====

(3) EARNINGS PER SHARE

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

	FOR THE YEARS ENDED DECEMBER 31,								
	2001			2000			1999		
	NET INCOME	WEIGHTED AVERAGE SHARES	PER SHARE AMOUNT	NET INCOME	WEIGHTED AVERAGE SHARES	PER SHARE AMOUNT	NET INCOME	WEIGHTED AVERAGE SHARES	PER SHARE AMOUNT
	(In thousands, except per share data)								
Basic Earnings per Share	\$ 3,737	32,897	\$ 0.11	\$14,154	32,291	\$ 0.44	\$32,592	32,181	\$ 1.01
Effect of dilutive securities:									
Stock based compensation		123			45			360	
Contingent shares		65			69			-	
		-----			-----			-----	
Diluted earnings per share	\$ 3,737	33,085	\$ 0.11	\$14,154	32,405	\$ 0.44	\$32,592	32,541	\$ 1.00
		=====			=====			=====	

There were approximately 936,000, 923,000 and 289,000 stock options for the years ended December 31, 2001, 2000 and 1999, respectively, that were not considered in the calculation of diluted earnings per share since the stock options' exercise prices were greater than the average market price during these periods.

(4) FEDERAL RESERVE BANK REQUIREMENT

The Company is required to maintain reserve balances with the Federal Reserve Bank. The required average total reserve for NBT Bank for the 14 day maintenance period ending December 26, 2001 was \$38.0 million.

(5) SECURITIES

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

	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	ESTIMATED FAIRVALUE
(IN THOUSANDS)				
December 31, 2001:				
U.S. Treasury	\$ 12,392	64	699	11,757
Federal Agency	111,020	1,810	254	112,576
State & municipal	92,982	576	1,573	91,985
Mortgage-backed	413,081	5,639	683	418,037
Collateralized mortgage obligations	184,777	2,335	826	186,286
Asset-backed securities	32,391	642	838	32,195
Corporate	42,468	836	1,126	42,178
Other securities	13,707	687	67	14,327
Total securities available for sale	\$ 902,818	12,589	6,066	909,341

	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	ESTIMATED FAIRVALUE
(IN THOUSANDS)				
December 31, 2000:				
U.S. Treasury	\$ 16,392	5	473	15,924
Federal Agency	193,533	2,430	3,434	192,529
State & municipal	60,375	531	605	60,301
Mortgage-backed	387,401	1,770	3,075	386,096
Collateralized mortgage obligations	169,765	3,187	2,553	170,399
Asset-backed securities	18,841	376	268	18,949
Corporate	75,408	1,450	2,918	73,940
Other securities	18,422	477	300	18,619
Total securities available for sale	\$ 940,137	10,226	13,626	936,757

Other securities include non-marketable equity securities, including certain securities acquired by the Company's small business investment company (SBIC) subsidiary, and trust preferred securities. Collateralized mortgage obligations at December 31, 2001 include securities with an amortized cost of \$9.2 million and estimated fair value of \$9.1 million that are privately issued and are not backed by Federal agencies. The remaining collateralized mortgage obligations were issued or backed by Federal agencies.

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

	FOR THE YEARS ENDED DECEMBER 31,		
	2001	2000	1999

	(in thousands)		
Proceeds from sales	\$43,318	128,889	189,202
	=====	=====	=====
Gross realized gains	\$ 2,213	1,751	2,431
Gross realized losses	(1,046)	(604)	(39)
Other-than-temporary impairment writedowns	(8,291)	(3,467)	(1,392)
	-----	-----	-----
Net security (losses) gains and writedowns on securities available for sale	(7,124)	(2,320)	1,000
Net realized (losses) gains on trading securities and embedded derivatives	(568)	47	-
	-----	-----	-----
Net securities (losses) gains	\$(7,692)	(2,273)	1,000
	=====	=====	=====

The Company recorded a \$8.3 million, \$3.5 million and \$1.4 million pre-tax charge during 2001, 2000 and 1999, respectively, related to estimated other-than-temporary impairment of certain securities classified as available for sale. The charges were recorded in net security (losses) gains on the consolidated statements of income. The securities with other-than-temporary impairment charges at December 31, 2001 had remaining carrying values totaling \$4.5 million, are classified as securities available for sale and are on the non-accrual status.

Approximately, \$1.4 million of the other-than-temporary impairment charge in 2000 related to the Company's decision in late 2000 to sell certain debt securities available for sale with an amortized cost of \$21.7 million. As a result of the decision to immediately sell these securities, they were considered to be other-than-temporarily impaired. These securities were sold in early January 2001 at amounts approximating their carrying values. These securities were presented on the Company's December 31, 2000 consolidated balance sheet as trading securities. The remaining securities with other-than-temporary impairment charges at December 31, 2000 had carrying values totaling \$1.4 million, at December 31, 2000, are classified as securities available for sale and are on the non-accrual status.

During 1999, Lake Ariel adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." In connection with its adoption of SFAS No. 133, Lake Ariel transferred approximately \$71.1 million of securities from its held to maturity portfolio to its available for sale portfolio. These securities were subsequently sold during 1999 at a net realized gain of \$0.18 million.

During 1999, CNB transferred all of its investment securities held to maturity to securities available for sale. At the date of transfer, the amortized cost of investment securities held to maturity was approximately \$112.9 million and the estimated fair value was approximately \$117.7 million. The transfer was made for asset/liability management purposes and to allow CNB flexibility with respect to certain tax planning strategies. Subsequent to this transfer, CNB no longer maintained a held to maturity portfolio.

At December 31, 2001 and 2000, securities available for sale with amortized costs totaling \$628.8 million and \$695.3 million, respectively, were pledged to secure public deposits and for other purposes required or permitted by law. Additionally, at December 31, 2001, securities available for sale with an amortized cost of \$74.4 were pledged as collateral for securities sold under repurchase agreements.

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

	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	ESTIMATED FAIR VALUE
(IN THOUSANDS)				
December 31, 2001:				
Mortgage-backed	\$ 36,733	295	405	36,623
State & municipal	64,715	-	-	64,715
Other securities	156	1	-	157
Total securities held to maturity	\$ 101,604	296	405	101,495

	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	ESTIMATED FAIR VALUE
(IN THOUSANDS)				
December 31, 2000:				
Mortgage-backed	\$ 46,376	70	918	45,528
State & municipal	63,992	460	192	64,260
Other securities	47	-	-	47
Total securities held to maturity	\$ 110,415	530	1,110	109,835

At December 31, 2001 and 2000, substantially all of the mortgage-backed securities available for sale and held to maturity held by the Company were issued or backed by Federal agencies.

The following tables set forth information with regard to contractual maturities of debt securities at December 31, 2001:

Debt Securities Classified as Available for Sale	AMORTIZED COST	ESTIMATED FAIR VALUE
(in thousands)		
Within one year	\$ 133,741	134,721
From one to five years	264,734	266,525
From five to ten years	239,872	243,122
After ten years	250,764	250,646
	\$ 889,111	895,014

Debt Securities Classified as Held to Maturity	AMORTIZED COST	ESTIMATED FAIR VALUE
----- (in thousands)		
Within one year	\$ 34,016	33,903
From one to five years	29,552	29,352
From five to ten years	6,737	6,691
After ten years	31,299	31,549
	-----	-----
	\$ 101,604	101,495
	=====	=====

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

Except for U.S. Government securities, there were no holdings, when taken in the aggregate, of any single issues that exceeded 10% of consolidated stockholders' equity at December 31, 2001 and 2000.

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

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

	DECEMBER 31,	
	2001	2000
	-----	-----
	(IN THOUSANDS)	
Residential real estate mortgages	\$ 525,411	504,590
Commercial real estate mortgages	477,102	498,040
Real estate construction and development	60,513	44,829
Commercial and agricultural	584,857	543,145
Consumer	387,081	357,822
Home equity	232,624	219,355
Lease financing	72,048	79,874
	-----	-----
Total loans	\$2,339,636	2,247,655
	=====	=====

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

Changes in the allowance for loan and lease losses for the three years ended December 31, 2001, are summarized as follows:

	2001	2000	1999
	-----	-----	-----
(IN THOUSANDS)			
Balance at January 1,	\$ 32,494	28,240	26,615
Allowance related to purchase acquisitions	505	525	-
Provision	31,929	10,143	6,896
Recoveries	2,189	1,383	1,439
Charge-offs	(22,371)	(7,797)	(6,710)
	-----	-----	-----
Balance at December 31,	\$ 44,746	32,494	28,240
	=====	=====	=====

The following table sets forth information with regard to non-performing loans:

	AT DECEMBER 31,		
	-----	-----	-----
	2001	2000	1999
	-----	-----	-----
(IN THOUSANDS)			
Loans in non-accrual status	\$40,210	17,103	12,808
Loans contractually past due 90 days or more and still accruing interest	2,975	8,430	2,748
Restructured loans	603	656	1,014
	-----	-----	-----
Total non-performing loans	\$43,788	26,189	16,570
	=====	=====	=====

There were no material commitments to extend further credit to borrowers with non-performing loans.

Accumulated interest on the above non-accrual loans of approximately \$3,241,000, \$1,043,000, and \$966,000 would have been recognized as income in 2001, 2000, and 1999, respectively, had these loans been in accrual status. Approximately \$591,000, \$534,000, and \$493,000 of interest on the above non-accrual loans was collected in 2001, 2000, and 1999, respectively.

At December 31, 2001 and 2000, the recorded investment in loans that are considered to be impaired totaled \$32.0 million and \$14.7 million, respectively, for which the related allowance for loan losses is \$1.4 million and \$1.5 million, respectively. As of December 31, 2001 and 2000, there were \$23.7 million and \$10.8 million, respectively, of impaired loans which did not have an allowance for loan losses due to the adequacy of their collateral. Included in total impaired loans at December 31, 2001 and 2000 were \$603,000 and \$656,000, respectively, of restructured loans.

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

	FOR THE YEARS ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
Average recorded investment on impaired loans	\$ 21,618	12,191	8,900
Interest income recognized on impaired loans	591	308	200
Cash basis interest income recognized on impaired loans	591	308	200

RELATED PARTY TRANSACTIONS

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

	2001	2000
	(IN THOUSANDS)	
Balance at January 1,	\$ 6,847	6,790
New loans	3,114	3,007
Repayments	(3,676)	(2,950)
Balance at December 31,	\$ 6,285	6,847

(7) PREMISES AND EQUIPMENT, NET

A summary of premises and equipment follows:

	DECEMBER 31,	
	2001	2000
	(IN THOUSANDS)	
Land, buildings and improvements	\$ 65,350	60,559
Equipment	50,752	40,775
Construction in progress	443	350
	116,545	101,684
Accumulated depreciation	53,860	45,568
Total premises and equipment	\$ 62,685	56,116

Land, buildings and improvements with a carrying value of approximately \$4.1 million and \$4.2 million at December 31, 2001 and 2000, respectively, are pledged to secure long-term borrowings.

Rental expense included in occupancy expense amounted to \$2.1 million in 2001, \$1.9 million in 2000, and \$1.7 million in 1999. The future minimum rental payments related to noncancellable operating leases with original terms of one year or more are as follows at December 31, 2001:

	(IN THOUSANDS)
2002	\$ 1,583
2003	1,053
2004	846
2005	645
2006	504
Thereafter	4,333

Total	\$ 8,964
	=====

(8) DEPOSITS

The following table sets forth the maturity distribution of time deposits at December 31, 2001:

	(IN THOUSANDS)
Within one year	\$ 1,081,821
After one but within two years	155,001
After two but within three years	85,955
After three but within four years	43,149
After four but within five years	10,385
After five years	10,738

Total	\$ 1,387,049
	=====

Time deposits of \$100,000 or more aggregated \$558.6 million and \$646.0 million at year end 2001 and 2000, respectively.

(9) SHORT-TERM BORROWINGS

Short-term borrowings total \$122.0 million and \$184.7 million at December 31, 2001 and 2000, respectively, and consist of Federal funds purchased and securities sold under repurchase agreements, which generally represent overnight borrowing transactions, and other short-term borrowings, primarily Federal Home Loan Bank (FHLB) advances, with original maturities of one year or less. The Company has unused lines of credit with the FHLB available for short-term financing and access to brokered deposits of approximately \$767 million and \$555 million at December 31, 2001 and 2000, respectively.

In addition, the Company has two other lines of credit, expiring on November 6, 2002, which are available with the FHLB. The first is an overnight line of credit for approximately \$50.0 million with interest based on existing market conditions. The second is a one-month overnight repricing line of credit for approximately \$50.0 million with interest based on existing market conditions. As of December 31, 2001, there was \$31.0 million (included in federal funds purchased) and \$7.7 million (included in other short-term borrowings), respectively, outstanding on these overnight lines of credit. Borrowings on these lines are secured by FHLB stock, certain securities and one-to-four family first lien mortgage loans.

Securities collateralizing repurchase agreements are held in safekeeping by non-affiliated financial institutions and are under the Company's control.

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

	2001	2000	1999
	-----	-----	-----
(DOLLARS IN THOUSANDS)			
FEDERAL FUNDS PURCHASED:			
Balance at year-end	\$31,000	50,000	58,130
Average during the year	30,752	52,218	45,628
Maximum month end balance	47,200	70,695	88,140
Weighted average rate			
during the year	4.79%	5.95%	5.23%
Weighted average rate at			
December 31	1.35%	6.66%	5.46%
SECURITIES SOLD UNDER			
REPURCHASE AGREEMENTS:			
Balance at year-end	\$64,973	46,050	68,241
Average during the year	56,408	57,679	51,719
Maximum month end balance	64,973	130,262	81,790
Weighted average rate			
during the year	3.38%	5.02%	4.49%
Weighted average rate			
at December 31	1.62%	4.76%	4.52%
OTHER SHORT-TERM			
BORROWINGS:			
Balance at year-end	\$26,040	88,654	45,480
Average during the year	36,002	84,991	48,017
Maximum month end balance	71,654	131,077	108,161
Weighted average rate			
during the year	5.35%	6.42%	5.23%
Weighted average rate			
at December 31	5.11%	6.65%	5.45%

The Company has entered into repurchase agreements with entities which have certain executive officers who are directors and significant stockholders of the Company. These repurchase agreements are entered into in the ordinary course of business at market terms. These repurchase agreements resulted in approximately \$25.4 million and \$18.1 million being owed to these entities at December 31, 2001 and 2000, respectively.

(10) LONG-TERM DEBT

Long-term debt consists of obligations having an original maturity at issuance of more than one year. A summary as of December 31, 2001 is as follows:

	MATURITY DATE	INTEREST RATE	AMOUNT

(DOLLARS IN THOUSANDS)			
FHLB advance	2002	1.98-6.45%	\$ 36,276
FHLB advance	2003	4.50-6.27%	90,757
FHLB advance	2005	4.40-6.41%	30,000
FHLB advance	2008	5.06-7.20%	35,599
FHLB advance	2009	4.97-5.50%	75,000
Note payable	2010	6.50%	275
IDA bonds	2025	4.44%	4,424

Total			\$ 272,331
			=====

FHLB advances are collateralized by the FHLB stock owned by the Company, certain of its mortgage-backed securities and a blanket lien on its residential real estate mortgage loans.

(11) GUARANTEED PREFERRED BENEFICIAL INTERESTS IN COMPANY'S JUNIOR SUBORDINATED DEBENTURES

On June 14, 1999, CNB established CNBF Capital Trust I (the Trust), which is a statutory business trust. The Trust exists for the exclusive purpose of issuing and selling 30 year guaranteed preferred beneficial interests in the Company's junior subordinated debentures (capital securities). On August 4, 1999, the Trust issued \$18.0 million in capital securities at 3-month LIBOR plus 275 basis points, which equaled 8.12% at issuance. The rate on the capital securities resets quarterly, equal to the 3-month LIBOR plus 275 basis points (5.35% and 9.57% for the December 31, 2001 and 2000 quarterly payments, respectively). The capital securities are the sole asset of the Trust. The obligations of the Trust are guaranteed by Bancorp. Capital securities totaling \$1.0 million were issued to NBT. These capital securities were retired upon the merger of NBT and CNB (see note 2). The net proceeds from the sale of the capital securities were used for general corporate purposes and to provide a capital contribution of \$15.0 million to CNB Bank, which was merged into NBT Bank. The capital securities, with associated expense that is tax deductible, qualify as Tier I capital under regulatory definitions, subject to certain restrictions. The Bancorp's primary source of funds to pay interest on the debentures owed to the Trust are current dividends from the NBT Bank. Accordingly, the Bancorp's ability to service the debentures is dependent upon the continued ability of NBT Bank to pay dividends (see also note 13). The capital securities are not classified as debt for financial statement purposes and therefore the expense associated with the capital securities is recorded as non-interest expense in the consolidated statements of income.

(12) INCOME TAXES

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

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
Current:			
Federal	\$ 5,404	7,887	11,383
State	1,471	835	2,583
	6,875	8,722	13,966
Deferred:			
Federal	(4,963)	(1,766)	1,412
State	(1,370)	(428)	655
	(6,333)	(2,194)	2,067
Total income tax expense	\$ 542	6,528	16,033
	=====	=====	=====

Not included in the above table is income tax expense (benefit) of approximately \$3.7 million, \$13.2 million and (\$17.5 million) for 2001, 2000 and 1999, respectively, relating to unrealized gain (loss) on available for sale securities and tax benefits recognized with respect to stock options exercised, which were recorded directly in stockholders' equity.

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

	DECEMBER 31,	
	2001	2000
	-----	-----
	(IN THOUSANDS)	
Deferred tax assets:		
Allowance for loan and lease losses	\$17,140	12,508
Deferred compensation	2,873	3,198
Postretirement benefit obligation	1,437	1,594
Loss on trading securities	-	504
Writedowns on corporate debt securities	2,868	1,328
Accrued severance and contract termination costs	1,097	678
Pension and executive retirement	311	-
Other real estate owned	193	73
Purchase accounting adjustments, net	223	-
Accrued liabilities	1,905	199
Alternate minimum tax credit carry forward	521	2,202
New York State tax credit carryforward	207	214
Intangible amortization	663	493
Other	346	610
	-----	-----
Total deferred tax assets	29,784	23,601
	-----	-----
Deferred tax liabilities:		
Pension and executive retirement	-	823
Premises and equipment, primarily due to accelerated depreciation	1,491	1,739
Equipment leasing	10,335	11,771
Securities discount accretion	600	588
Deferred loan costs	547	165
Tax bad debt reserve	302	437
Other	277	174
	-----	-----
Total deferred tax liabilities	13,552	15,697
	-----	-----
Net deferred tax asset at year-end	16,232	7,904
	-----	-----
Net deferred tax asset at beginning of year	7,904	5,710
	-----	-----
Increase in net deferred tax asset	8,328	2,194
Net deferred tax assets acquired	1,995	-
	-----	-----
Deferred tax benefit	\$ 6,333	2,194
	=====	=====

The above table does not include the recorded deferred tax liability of \$2.6 million as of December 31, 2001 and deferred tax asset of \$1.5 million as of December 31, 2000 related to the net unrealized holding gain/loss in the available-for-sale securities portfolio.

Realization of deferred tax assets is dependent upon the generation of future taxable income or the existence of sufficient taxable income within the available carryback period. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax asset will not be realized. Based on available evidence, gross deferred tax assets will ultimately be realized and a valuation allowance was not deemed necessary at December 31, 2001 and 2000.

As of December 31, 2001 and 2000, the Company had alternative minimum tax (AMT) credit carryforwards of \$521,000 and \$2.2 million, respectively. AMT credits may be used indefinitely to reduce regular Federal income taxes to the extent regular Federal income taxes exceed the related alternative minimum tax otherwise due. As of December 31, 2001 and 2000, the Company had New York State tax credit carryforwards of \$207,000 and \$214,000, respectively. These credits may be used indefinitely to reduce New York State taxes due.

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

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
Federal income tax at statutory rate	\$ 1,498	7,144	16,934
Tax exempt income	(2,475)	(2,677)	(2,880)
Non-deductible expenses	400	274	443
Non-deductible merger expenses	1,419	2,122	-
Net increase in CSV of life insurance	(121)	(230)	(95)
Dividend received deduction	(142)	(139)	(77)
State taxes, net of federal tax benefit	66	264	2,105
Other, net	(103)	(230)	(397)
Income tax expense	\$ 542	6,528	16,033

(13) STOCKHOLDERS' EQUITY

Certain restrictions exist regarding the ability of the subsidiary bank to transfer funds to the Company in the form of cash dividends. The approval of the Office of Comptroller of the Currency (OCC) is required to pay dividends when a bank fails to meet certain minimum regulatory capital standards or when such dividends are in excess of a subsidiary bank's earnings retained in the current year plus retained net profits for the preceding two years (as defined in the regulations). The Bank's dividends to the Company over years 2000 and 2001 exceeded net income during those years. Therefore, the Bank's first quarter 2002 dividends exceeded the OCC dividend limitations, and the Bank requested and received OCC approval to pay this dividend to the Company. The Bank anticipates that it will require approval for its second quarter 2002 dividend as well. The Bank's ability to pay dividends also is subject to the Bank being in compliance with regulatory capital requirements. The Bank is currently in compliance with these requirements. Under the State of Delaware Business Corporation Law, the Company may declare and pay dividends either out of accumulated net retained earnings or capital surplus.

In November 1994, the Company adopted 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. At that time, the Company paid a dividend of one Preferred Share Purchase Right (Right) for each outstanding share of common stock of the Company. Similar rights are attached to each share of the Company's common stock issued after November 15, 1994. 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 \$0.01 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.

(14) REGULATORY CAPITAL REQUIREMENTS

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

Quantitative measures established by regulation to ensure capital adequacy require the Company and the subsidiary banks to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 Capital to risk-weighted assets, and of Tier 1 capital to average assets. As of December 31, 2001 and 2000, the Company and the subsidiary banks meet all capital adequacy requirements to which they were subject.

Under their prompt corrective action regulations, regulatory authorities are required to take certain supervisory actions (and may take additional discretionary actions) with respect to an undercapitalized institution. Such actions could have a direct material effect on an institution's financial statements. The regulations establish a framework for the classification of banks into five categories: well capitalized, adequately capitalized, under capitalized, significantly under capitalized, and critically under capitalized. As of December 31, 2001, the most recent notification from NBT Bank's regulators categorized NBT Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized NBT Bank must maintain minimum total risk-based, Tier 1 risk-based, Tier 1 capital to average asset ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the NBT Bank's category.

The Company and the subsidiary banks' actual capital amounts and ratios are presented as follows:

(DOLLARS IN THOUSANDS)	REGULATORY RATIO REQUIREMENTS			
	ACTUAL		MINIMUM CAPITAL ADEQUACY	FOR CLASSIFICATION AS WELL CAPITALIZED
	AMOUNT	RATIO		
As of December 31, 2001:				
Total capital (to risk weighted assets):				
Company combined	\$259,316	10.69%	8.00%	10.00%
NBT Bank	253,401	10.54%	8.00%	10.00%
Tier I Capital (to risk weighted assets):				
Company combined	228,803	9.43%	4.00%	6.00%
NBT Bank	223,170	9.28%	4.00%	6.00%
Tier I Capital (to average assets):				
Company combined	228,803	6.34%	4.00%	5.00%
NBT Bank	223,170	6.24%	4.00%	5.00%
As of December 31, 2000:				
Total capital (to risk weighted assets):				
Company combined	\$272,716	11.08%	8.00%	10.00%
NBT Bank	123,419	11.73%	8.00%	10.00%
Pennstar	63,263	8.97%	8.00%	10.00%
CNB Bank	67,814	10.30%	8.00%	10.00%
Tier I Capital (to risk weighted assets):				
Company combined	242,576	9.85%	4.00%	6.00%
NBT Bank	109,973	10.48%	4.00%	6.00%
Pennstar	54,981	7.80%	4.00%	6.00%
CNB Bank	59,669	9.10%	4.00%	6.00%
Tier I Capital (to average assets):				
Company combined	242,576	6.88%	4.00%	5.00%
NBT Bank	109,973	7.40%	4.00%	5.00%
Pennstar	54,981	5.12%	4.00%	5.00%
CNB Bank	59,669	6.40%	4.00%	5.00%

(14) EMPLOYEE BENEFIT PLANS

PENSION PLAN

The Company has a qualified, noncontributory, defined benefit pension plan covering substantially all of its employees at December 31, 2001. M. Griffith, Inc. and the former Pennstar (and its predecessors Lake Ariel and Pioneer Holding Company) did not provide for pension benefits to employees through January 1, 2001. As such, M. Griffith, Inc. and Pennstar employees are not included in this plan at December 31, 2000. M. Griffith, Inc. and Pennstar employees began to participate and accrue benefits under this Plan as of January 1, 2001. No benefit credit was provided in the Company's plan for service with M. Griffith, Inc. and the former Pennstar (and its predecessors Lake Ariel or Pioneer Holding Company). Benefits paid from the plan are based on age, years of service, compensation, social security benefits, and are determined in accordance with defined formulas. The Company's policy is to fund the pension plan in accordance with ERISA standards. Assets of the plan are invested in publicly traded stocks and bonds. Prior to January 1, 2000, the Company's plan was a traditional defined benefit plan based on final average compensation. On January 1, 2000, the plan was converted to a cash balance plan with grandfathering provisions for existing participants.

Prior to December 31, 2001, the Company maintained two noncontributory defined benefit retirement plans, the NBT Bancorp Inc. Defined Benefit Pension Plan and the Central National Bank, Canajoharie Pension Plan. Effective December 31, 2001, the Company merged those two plans.

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

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
(IN THOUSANDS)			
Components of net periodic benefit cost:			
Service cost	\$ 1,968	1,382	1,368
Interest cost	2,038	2,041	1,989
Expected return on plan assets	(2,703)	(2,790)	(2,817)
Amortization of initial unrecognized asset	(196)	(196)	(196)
Amortization of prior service cost	234	233	268
Amortization of unrecognized net gain	(23)	(117)	(12)
Net periodic pension cost	\$ 1,318	553	600
Change in projected benefit obligation:			
Benefit obligation at beginning of year	(28,867)	(27,364)	(29,543)
Service cost	(1,968)	(1,382)	(1,368)
Interest cost	(2,038)	(2,041)	(1,989)
Actuarial (loss) gain	(1,438)	(1,309)	3,415
Benefits paid	2,465	2,933	2,121
Prior service cost	-	296	-
Projected benefit obligation at end of year	\$(31,846)	(28,867)	(27,364)
Change in plan assets:			
Fair value of plan assets at beginning of year	28,666	31,091	30,757
Actual return on plan assets	(814)	302	1,272
Employer contributions	3,950	-	550
Benefits paid	(2,465)	(2,933)	(2,121)
Actuarial gain due to measurement date prior to December 31	211	206	633
Fair value of plan assets at end of year	\$ 29,548	28,666	31,091
Plan assets (less than) in excess of projected benefit obligation	\$ (2,298)	(201)	3,727
Unrecognized portion of net asset at transition	(1,364)	(1,560)	(1,756)
Unrecognized net actuarial loss (gain)	2,913	(1,854)	(5,563)
Unrecognized prior service cost	3,006	3,240	3,770
Prepaid (accrued) pension cost	\$ 2,257	(375)	178
Weighted average assumptions as of December 31,			
Discount rate	7.00%	7.25%	7.75%
Expected long-term return on plan assets	9.00%	9.00%	9.00%
Rate of compensation increase	4.00%	4.00%	4.00%

In addition to the Company's noncontributory defined benefit retirement and pension plan, the Company provides a supplemental employee retirement plans to certain current and former executives. The amount of the liabilities recognized in the Company's consolidated balance sheets associated with these plans was \$7.1 million and \$4.8 million at December 31, 2001 and 2000, respectively. The charges to expense with respect to these plans amounted to \$0.4 million, \$1.7 million, and \$0.2 million for the years ended December 31, 2001, 2000, and 1999, respectively. The discount rate used in determining the actuarial present values of the projected benefit obligations was 7.00%, 7.25% and 7.75%, at December 31, 2001, 2000, and 1999, respectively.

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The Company provides certain health care benefits for retired employees. Benefits are accrued over the employees' active service period. Pennstar (and its predecessors Lake Ariel and Pioneer Holding Company) did not provide such benefits to retired employees. As such, Pennstar employees are not included in this plan as of December 31, 2000. Pennstar employees began to participate in this plan and to accrue benefits under this plan as of January 1, 2001. The plan is contributory for participating retirees, requiring participants to absorb certain deductibles and coinsurance amounts with contributions adjusted annually to reflect cost sharing provisions and benefit limitations called for in the plan. Employees become eligible for these benefits if they reach normal retirement age while working for the Company. The Company funds the cost of postretirement health care as benefits are paid. The Company elected to recognize the transition obligation on a delayed basis over twenty years.

The net postretirement health benefits expense and obligations (the plan is unfunded) are as follows:

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
(IN THOUSANDS)			
Components of net periodic benefit cost:			
Service cost	\$ 175	199	235
Interest cost	300	304	288
Amortization of transition obligation	39	124	124
Amortization of (gains) and losses	31	(15)	9
Amortization of unrecognized prior service cost	(14)	-	-
	-----	-----	-----
Net periodic postretirement benefit cost	\$ 531	612	656
	=====	=====	=====
Change in accumulated benefit obligation:			
Benefit obligation at beginning of the year	4,738	3,959	4,517
Service cost	175	199	235
Interest cost	300	304	288
Plan participants' contributions	-	129	106
Actuarial loss (gain)	1,640	439	(935)
Amendments	(1,224)	-	-
Benefits paid	(230)	(292)	(252)
	-----	-----	-----
Accumulated benefit obligation at end of year	\$ 5,399	4,738	3,959
	=====	=====	=====
Components of accrued benefit cost:			
Accumulated benefit obligation at end of year	\$(5,399)	(4,738)	(3,959)
Unrecognized transition obligation	139	1,196	1,320
Unrecognized prior service cost	(192)	-	-
Unrecognized actuarial net loss	2,077	468	14
	-----	-----	-----
Accrued benefit cost	\$(3,375)	(3,074)	(2,625)
	=====	=====	=====
Weighted average discount rate	7.00%	7.25%	7.75%
	=====	=====	=====

The Company used a health care trend rate in calculating the postretirement cost of 7.5% during December 31, 2001, grading down uniformly to 5.5% for 2005 and thereafter.

Assumed health care cost trend rates have a significant effect on amounts reported for health care plans. A one-percentage point change in the health care trend rates would have the following effects as of and for the year ended December 31, 2001:

	1-PERCENTAGE POINT INCREASE -----	1-PERCENTAGE POINT DECREASE -----
(IN THOUSANDS)		
Effect on total service and interest cost components	\$ 111 =====	(88) =====
Effect on postretirement accumulated benefit obligation	\$ 1,026 =====	(844) =====

EMPLOYEE 401(K) AND EMPLOYEE STOCK OWNERSHIP PLANS

At December 31, 2001, the Company maintains a 401(k) and employee stock ownership plan (the Plan). The Company contributes to the Plan based on employees' contributions out of their annual salary. In addition, the Company may also make discretionary contributions to the Plan based on profitability. Participation in the Plan is contingent upon certain age and service requirements.

Through December 31, 2000, Pennstar maintained a profit-sharing plan and a 401(k) savings plan for employees of the former LA Bank, N.A. and maintained an ESOP and a savings and investment plan for employees of the former Pioneer American Bank, N.A. On January 1, 2001, these plans were merged into the Company's Plan. CNB maintained a 401(k) plan. On January 1, 2002, the CNB plan was merged into the Company's Plan. The recorded expenses associated with these plans was \$794,000 in 2001, \$1.7 million in 2000 and \$1.6 million in 1999.

STOCK OPTION PLANS

At December 31, 2001, the Company has two stock option plans (Plans). Under the terms of the plans, options are granted to directors and key employees to purchase shares of the Company's common stock at a price equal to the fair market value of the common stock on the date of the grant. Options granted have a vesting period of four years and terminate eight or ten years from the date of the grant.

The per share weighted-average fair value of stock options granted during 2001, 2000 and 1999 was \$3.70, \$3.35 and \$5.47, respectively. The fair value of each award is estimated on the grant date using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants in the years ended December 31:

	2001 -----	2000 -----	1999 -----
Dividend yield	4.26%	5.34%	3.72%
Expected volatility	30.19%	29.88%	29.05%
Risk-free interest rates	4.63% - 5.04%	6.04%-6.62%	4.63%-6.16%
Expected life	7 years	7 years	7 years

The Company applies APB Opinion No. 25, "Accounting for Stock Issued to Employees," in accounting for its Plans and, accordingly, no compensation cost has been recognized for its stock options in the consolidated financial statements. Had the Company determined compensation cost based on the estimated fair value at the grant date for its stock options under SFAS No. 123, "Accounting for Stock-Based Compensation", the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

	2001	2000	1999
	-----	-----	-----
Net income:			
As reported	\$3,737	14,154	32,592
Pro forma	2,450	13,261	31,824
Basic earnings per share:			
As reported	0.11	0.44	1.01
Pro forma	0.07	0.41	0.99
Diluted earnings per share:			
As reported	0.11	0.44	1.00
Pro forma	0.07	0.41	0.98

Because the Company's employee stock options have characteristics significantly different from those of traded options for which the Black-Scholes model was developed, and because changes in the subjective input assumptions can materially affect the fair value estimate, the existing models, in management's opinion, do not necessarily provide a reliable single measure of the fair value of its employee stock options.

The following is a summary of changes in options outstanding:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE OF EXERCISE PRICE OF OPTIONS UNDER THE PLANS
Balance at December 31, 1998	1,248,782	\$ 8.85
Granted	242,417	20.36
Exercised	(177,812)	7.21
Lapsed	(23,135)	15.83
Balance at December 31, 1999	1,290,252	13.73
Granted	515,369	13.67
Exercised	(277,880)	7.32
Lapsed	(49,917)	14.14
Balance at December 31, 2000	1,477,824	13.59
Granted	726,746	15.13
Exercised	(219,659)	8.92
Lapsed	(79,036)	15.83
Balance at December 31, 2001	1,905,875	\$ 14.61

The following table summarizes information concerning stock options outstanding at December 31, 2001:

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (IN YEARS)	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
\$ 4.01-\$ 8.50	87,690	3.06	\$ 6.52	87,690	\$ 6.52
\$ 8.51-\$13.00	492,781	6.23	10.56	463,980	10.59
\$13.01-\$17.50	949,911	8.26	15.54	187,151	14.58
\$17.51-\$22.00	375,493	6.65	19.41	258,877	19.29
\$ 4.01-\$22.00	1,905,875	7.18	\$ 14.61	997,698	\$ 13.24

(15) COMMITMENTS AND CONTINGENT LIABILITIES

The Company's concentrations of credit risk are reflected in the consolidated balance sheets. The concentrations of credit risk with standby letters of credit, unused lines of credit and commitments to originate new loans and loans sold with recourse generally follow the loan classifications. At December 31, 2001, approximately 52.8% of the Company's loans are secured by real estate located in central and northern New York and northeastern Pennsylvania, respectively. Accordingly, the ultimate collectibility of a substantial portion of the Company's portfolio is susceptible to changes in market conditions of those areas. Management is not aware of any material concentrations of credit to any industry or individual borrowers.

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

AT DECEMBER 31,
2001 2000
----- -----

(IN THOUSANDS)

Commitments to extend credits, primarily variable rate	\$509,750	230,668
Unused lines of credit	194,931	164,062
Standby letters of credit	21,072	6,249
Loans sold with recourse	18,258	20,000

The total amount of loans serviced by the Company for unrelated third parties was approximately \$173.3 million and \$208.3 million at December 31, 2001 and 2000, respectively.

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

(16) PARENT COMPANY FINANCIAL INFORMATION

CONDENSED BALANCE SHEETS

ASSETS	DECEMBER 31,	
	2001	2000

	(IN THOUSANDS)	
Cash and cash equivalents	\$ 1,971	7,827
Securities available for sale, at estimated fair value	8,401	8,774
Investment in subsidiaries, on equity basis	279,725	285,770
Other assets	11,654	8,317

Total assets	\$301,751	310,688
	=====	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Total liabilities	\$ 35,396	41,047

Stockholders' equity	266,355	269,641

Total liabilities and stockholders' equity	\$301,751	310,688
	=====	

CONDENSED STATEMENTS OF INCOME

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999

	(IN THOUSANDS)		
Dividends from subsidiaries	\$ 27,775	35,270	22,649
Management fee from subsidiaries	25,860	17,266	-
Interest and other dividend income	1,273	1,578	1,125
Net gain on sale of securities available for sale	294	151	1,036

Operating expense	55,202	54,265	24,810

Operating expense	41,535	36,374	2,400

Income before income tax (benefit) expense and (distributions in excess of) equity in undistributed income of subsidiaries	13,667	17,891	22,410
Income tax (benefit) expense (Distributions in excess of) equity in undistributed income of subsidiaries	(3,907)	(5,738)	223

Net income	\$ 3,737	14,154	32,592
	=====		

CONDENSED STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
	(IN THOUSANDS)		
Operating activities:			
Net income	\$ 3,737	14,154	32,592
Adjustments to reconcile net income to net cash provided by operating activities:			
Net gains on sale of securities available for sale	(294)	(151)	(1,036)
Tax benefit from exercise of stock options	327	660	296
Distributions in excess of (equity in undistributed) income of subsidiaries	13,837	9,475	(10,405)
Other, net	4,354	2,242	(956)
Net cash provided by operating activities	21,961	26,380	20,491
Investing activities:			
Securities available for sale:			
Proceeds from sales	4,458	384	2,301
Purchases of securities available for sale	(390)	(1,742)	(6,514)
Maturities and calls of securities available for sale	-	-	1,000
Investment in bank subsidiary	-	-	(15,000)
Investment in non-bank subsidiaries	-	-	(720)
Purchases of premises and equipment	(2,603)	(4)	(55)
Net cash provided by (used in) investing activities	1,465	(1,362)	(18,988)
Financing activities:			
Proceeds from the issuance of shares to employee benefit plans and other stock plans	2,046	507	6,826
Payment on long-term debt	(75)	(65)	(66)
Issuance of liability to subsidiary related to capital securities	-	-	17,000
Purchase of treasury shares	(11,126)	(1,680)	(9,628)
Cash dividends and payment for fractional shares	(20,127)	(18,447)	(15,745)
Net cash provided by (used in) financing activities	(29,282)	(19,685)	(1,613)
Net (decrease) increase in cash and cash equivalents	(5,856)	5,333	(110)
Cash and cash equivalents at beginning of year	7,827	2,494	2,604
Cash and cash equivalents at end of year	\$ 1,971	7,827	2,494

(17) FAIR VALUES OF FINANCIAL INSTRUMENTS

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

SHORT TERM INSTRUMENTS

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

SECURITIES

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

LOANS

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

DEPOSITS

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

LONG-TERM DEBT

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

COMMITMENTS TO EXTEND CREDIT AND STANDBY LETTERS OF CREDIT

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

GUARANTEED PREFERRED BENEFICIAL INTERESTS IN COMPANY'S JUNIOR SUBORDINATED DEBENTURES.

Given the variable rate nature of this financial instrument, the carrying value approximates fair value.

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

	2001		2000	
	CARRYING AMOUNT	ESTIMATED FAIR VALUE	CARRYING AMOUNT	ESTIMATED FAIR VALUE
(IN THOUSANDS)				
FINANCIAL ASSETS				
Cash and cash equivalents	\$ 129,957	129,957	130,443	130,443
Trading securities	126	126	20,540	20,540
Securities available for sale	909,341	909,341	936,757	936,757
Securities held to maturity	101,604	101,495	110,415	109,835
Loans (1)	2,339,636	2,399,044	2,247,655	2,232,573
Less allowance for loan losses	44,746	-	32,494	-
Net loans	2,294,890	2,399,044	2,215,161	2,232,573
Accrued interest receivable	18,152	18,152	21,043	21,043
FINANCIAL LIABILITIES				
Deposits:				
Interest bearing:				
Savings, NOW and money market	\$1,097,156	1,097,156	970,859	970,859
Time deposits	1,387,049	1,400,996	1,500,828	1,503,756
Noninterest bearing	431,407	431,407	372,181	372,181
Short-term borrowings	122,013	122,013	184,704	184,704
Long-term debt	272,331	282,426	240,529	241,396
Accrued interest payable	13,145	13,145	17,041	17,041
Guaranteed preferred beneficial interests in company's junior subordinated debentures	17,000	17,000	17,000	17,000

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

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

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

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required is incorporated herein by reference from the Company's definitive Proxy Statement for its annual meeting of shareholders to be held on May 2, 2002 (the "Proxy Statement"), which will be filed with the Securities and Exchange Commission within 120 days of the Company's 2001 fiscal year end.

ITEM 11. EXECUTIVE COMPENSATION

The information required is incorporated herein by reference from the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required is incorporated herein by reference from the Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required is incorporated herein by reference from the Proxy Statement.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a)(1) The following consolidated financial statements are incorporated by reference from Item 8 hereof:

Independent Auditors' Report.

Consolidated Balance Sheets as of December 31, 2001 and 2000.

Consolidated Statements of Income for each of the three years ended December 31, 2001, 2000 and 1999.

Consolidated Statements of Changes in Stockholders' Equity for each of the three years ended December 31, 2001, 2000 and 1999.

Consolidated Statements of Cash Flows for each of the three years ended December 31, 2001, 2000 and 1999.

Consolidated Statements of Comprehensive Income for each of the three years ended December 31, 2001, 2000 and 1999. Notes to the Consolidated Financial Statements.

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

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

(b) Reports on Form 8-K

The Company filed a Current Report on Form 8-K with the Securities and Exchange Commission on November 13, 2001 (date of report November 8, 2001) (announcing the completion of the Company's acquisition of CNB Financial Corp. and the appointment of Messrs. Van Ness Robinson, John P. Woods, Jr., and Joseph A. Santangelo to serve as members of the Company's Board of Directors).

(c) Exhibits. The following exhibits are either filed as part of this annual report on Form 10-K, or are incorporated herein by reference:

Exhibit
Number

- 3.1 Certificate of Incorporation of NBT Bancorp Inc.
- 3.2 Amended and Restated By-laws of NBT Bancorp Inc.
- 3.3 Rights Agreement, dated as of November 15, 1994, between NBT Bancorp Inc. and American Stock Transfer Trust Company as Rights Agent (filed as Exhibit 4.1 to Registrant's Form 8-A, file number 0-14703, filed on November 25, 1994, and incorporated by reference herein).
- 3.4 Amendment No. 1 to Rights Agreement, dated as of December 16, 1999, between NBT Bancorp Inc. and American Stock Transfer Trust Company as Rights Agent (filed as Exhibit 4.2 to Registrant's Form 8-A/A, file number 0-14703, filed on December 21, 1999, and incorporated by reference herein).
- 3.5 Amendment No. 2 to Rights Agreement, dated as of April 19, 2000, between NBT Bancorp Inc. and American Stock Transfer Trust Company as Rights Agent (filed as Exhibit 4.3 to Registrant's Form 8-A126/A, file number 0-14703, filed on May 25, 2000, and incorporated by reference herein).
- 10.1 NBT Bancorp Inc. 401(k) and Employee Stock Ownership Plan made as of January 1, 2001 (filed as Exhibit 10.1 to Registrant's Form 10-K for the year ended December 31, 2000, filed on March 29, 2001 and incorporated by reference herein).
- 10.2 First Amendment to the NBT Bancorp Inc. 401(k) and Employee Stock Ownership Plan effective July 2, 2001.
- 10.3 Second Amendment to the NBT Bancorp Inc. 401(k) and Employee Stock Ownership Plan effective July 2, 2001.
- 10.4 Third Amendment to the NBT Bancorp Inc. 401(k) and Employee Stock Ownership Plan effective January 1, 2002.
- 10.5 Fourth Amendment to the NBT Bancorp Inc. 401(k) and Employee Stock Ownership Plan effective January 1, 2002.
- 10.6 Fifth Amendment to the NBT Bancorp Inc. 401(k) and Employee Stock Ownership Plan effective January 1, 2002.
- 10.7 NBT Bancorp Inc. Defined Benefit Pension Plan, Amended and Restated Effective as of January 1, 2000 (filed as Exhibit 10.2 to Registrant's Form 10-K for the year ended December 31, 2000, filed on March 29, 2001 and incorporated by reference herein).
- 10.8 Amendment Number One to NBT Bancorp Inc. Defined Benefit Pension Plan effective December 31, 2001.
- 10.9 NBT Bancorp Inc. 1993 Stock Option Plan (filed as Exhibit 99.1 to Registrant's Form S-8 Registration Statement, file number 333-71830 filed on October 18, 2001 and incorporated by reference herein).
- 10.10 NBT Bancorp Inc. Non-Employee Director, Divisional Director and Subsidiary Director Stock Option Plan (filed as Exhibit 99.1 to Registrant's Form S-8 Registration Statement, file number 333-73038 filed on November 9, 2001 and incorporated by reference herein).

EXHIBIT INDEX (continued)

Exhibit
Number

- 10.11 NBT Bancorp Inc. Employee Stock Purchase Plan.
- 10.12 NBT Bancorp Inc. Directors Restricted Stock Plan (filed as Exhibit 99.1 to Registrant's Form S-8 Registration Statement, file number 333-72772 filed on November 5, 2001, and incorporated by reference herein).
- 10.13 NBT Bancorp Inc. 2002 Executive Incentive Compensation Plan.
- 10.14 Change in control agreement with Daryl R. Forsythe (filed as Exhibit 10.4 to the Registrant's Form 10-Q for the quarterly period ended September 30, 2001, filed on November 14, 2001 and incorporated herein by reference).
- 10.15 Form of Employment Agreement between NBT Bancorp Inc. and Daryl R. Forsythe made as of January 1, 2002.
- 10.16 Supplemental Retirement Agreement between NBT Bancorp Inc., NBT Bank, National Association and Daryl R. Forsythe as Amended and Restated Effective January 28, 2002.
- 10.17 Death Benefits Agreement between NBT Bancorp Inc., NBT Bank, National Association and Daryl R. Forsythe made August 22, 1995 (filed as Exhibit 10.8 to Registrant's Form 10-K for the year ended December 31, 2000, filed on March 29, 2001 and incorporated herein by reference).
- 10.18 Amendment dated January 28, 2002 to Death Benefits Agreement between NBT Bancorp Inc., NBT Bank, National Association and Daryl R. Forsythe made August 22, 1995.
- 10.19 Split-Dollar Agreement between NBT Bancorp Inc., NBT Bank, National Association and Daryl R. Forsythe made August 22, 1995.
- 10.20 Wage Continuation Plan between NBT Bancorp Inc., NBT Bank, National Association and Daryl R. Forsythe made as of August 1, 1995 (filed as Exhibit 10.9 to Registrant's Form 10-K for the year ended December 31, 2000, filed on March 29, 2001 and incorporated herein by reference).
- 10.21 Form of Employment Agreement between NBT Bancorp Inc. and Martin A. Dietrich made as of January 1, 2002.
- 10.22 Supplemental Executive Retirement Agreement between NBT Bancorp Inc. and Martin A. Dietrich made as of July 23, 2001 (filed as Exhibit 10.13 to Registrant's Form 10-Q for the quarterly period ended September 30, 2001, filed on November 14, 2001 and incorporated herein by reference).
- 10.23 Change in control agreement with Martin A. Dietrich (filed as Exhibit 10.3 to Registrant's Form 10-Q for the quarterly period ended September 30, 2001, filed on November 14, 2001 and incorporated herein by reference).
- 10.24 Form of Employment Agreement between NBT Bancorp Inc. and Michael J. Chewens made as of January 1, 2002.
- 10.25 Supplemental Executive Retirement Agreement between NBT Bancorp Inc. and Michael J. Chewens made as of July 23, 2001 (filed as Exhibit 10.12 to Registrant's Form 10-Q for the quarterly period ended September 30, 2001, filed on November 14, 2001 and incorporated by reference herein).
- 10.26 Change in control agreement with Michael J. Chewens (filed as Exhibit 10.1 to Registrant's Form 10-Q for the quarterly period ended September 30, 2001, filed on November 14, 2001 and incorporated herein by reference).
- 10.27 Form of Employment Agreement between NBT Bancorp Inc. and David E. Raven made as of January 1, 2002.
- 10.28 Change in control agreement with David E. Raven (filed as Exhibit 10.7 to Registrant's Form 10-Q for the quarterly period ended September 30, 2001, filed on November 14, 2001 and incorporated by reference herein).
- 10.29 Form of Employment Agreement between NBT Bancorp Inc. and Lance D. Mattingly made as of January 1, 2002.

- 10.30 Change in control agreement with Lance D. Mattingly (filed as Exhibit 10.5 to Registrant's Form 10-Q for the quarterly period ended September 30, 2001, filed on November 14, 2001 and incorporated by reference herein).
- 10.31 Form of Employment Agreement between NBT Bancorp Inc. and Peter Corso made as of January 1, 2002.
- 10.32 Change in control agreement with Peter Corso (filed as Exhibit 10.2 to Registrant's Form 10-Q for the quarterly period ended September 30, 2001, filed on November 14, 2001 and incorporated herein by reference).
- 10.33 Change in control agreement with Tom Delduchetto
- 10.34 NBT Bancorp Inc. and Subsidiaries Master Deferred Compensation Plan of Directors, adopted February 11, 1992 (filed as Exhibit 10.9 to Registrant's Form 10-K for the year ended December 31, 2000, filed on March 29, 2001 and incorporated herein by reference).
- 10.35 Agreement and Plan of Merger by and between NBT Bancorp Inc. and First National Bancorp, Inc., dated as of January 2, 2001 (filed as Annex A to Registrant's Form S-4 Registration Statement, file number 333-55360, filed on February 9, 2001, and incorporated by reference herein).

EXHIBIT INDEX (continued)

Exhibit
Number

- 10.36 Agreement and Plan of Merger among NBT Bancorp Inc., NBT Bank,
National Association, CNB Financial Corp. and Central National Bank,
Canajoharie dated as of June 19, 2001 (filed as Appendix A to
Registrant's Form S-4/A Registration Statement, file number 333-66472,
filed on August 27, 2001, and incorporated by reference herein).
21 A list of the subsidiaries of the Registrant.
23 Consent of KPMG LLP.

SIGNATURES

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

NBT BANCORP INC. (Registrant)
March 25, 2002

/s/ Daryl R. Forsythe

Daryl R. Forsythe
Chairman, President and Chief
Executive Officer

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

/s/ Daryl R. Forsythe ----- Daryl R. Forsythe President, Chief Executive Officer and Chairman (Principal Executive Officer) Date: March 25, 2002	/s/ Michael J. Chewens ----- Michael J. Chewens Chief Financial Officer (Principal Financial Officer) Date: March 25, 2002
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/s/ J. Peter Chaplin ----- J. Peter Chaplin, Director Date: March 25, 2002	/s/ John C. Mitchell ----- John C. Mitchell, Director Date: March 25, 2002
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/s/ Richard Chojnowski, ----- Richard Chojnowski, Director Date: March 25, 2002	/s/ Joseph G. Nasser ----- Joseph G. Nasser, Director Date: March 25, 2002
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/s/ Gene E. Goldenziel ----- Gene E. Goldenziel, Director Date: March 25, 2002	/s/ William L. Owens ----- William L. Owens, Director Date: March 25, 2002
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/s/ Peter B. Gregory ----- Peter B. Gregory, Director Date: March 25, 2002	/s/ Van Ness D. Robinson ----- Van Ness D. Robinson, Director Date: March 25, 2002
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/s/ William C. Gumble ----- William C. Gumble, Director Date: March 25, 2002	/s/ Joseph A. Santangelo ----- Joseph A. Santangelo, Director Date: March 25, 2002
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/s/ Bruce D. Howe ----- Bruce D. Howe, Director Date: March 25, 2002	/s/ Paul O. Stillman ----- Paul O. Stillman, Director Date: March 25, 2002
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/s/ Andrew S. Kowalczyk, Jr. ----- Andrew S. Kowalczyk, Jr., Director Date: March 25, 2002	/s/ John P. Woods, Jr. ----- John P. Woods, Director Date: March 25, 2002
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RESTATED
CERTIFICATE OF INCORPORATION
OF
NBT BANCORP INC.

FIRST: The name of the corporation (hereinafter called the Corporation)

is NBT BANCORP INC.

SECOND: The address of the registered office of the Corporation in the

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

THIRD: The nature of the business and the purpose to be conducted and

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

FOURTH: The total number of shares of all classes of capital stock

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

FIFTH: The Board of Directors is authorized, subject to limitations

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

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

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

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

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

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

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

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

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

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

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

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

SIXTH: The Corporation is to have perpetual existence.

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

follows:

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.

ELEVENTH:

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

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

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

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

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

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

(b) For the purpose of this Article ELEVENTH:

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

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

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

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

(5) The term "Disinterested Shareholder" shall mean any holder of voting securities of the company other than (i) a Major Stockholder if it or any of them has a financial interest in the transaction being voted on (except for a financial interest attributable solely to such person's interest as a stockholder of

the company which is identical to the interests of all stockholders of the same class) and (ii) in the context of a transaction described in (a) (4) above, any Major Stockholder (whether or not having a financial interest described in clause (i) of this sentence) if it or any of them has directly or indirectly proposed the transaction, solicited proxies to vote in favor of the transaction, financed any such solicitation of proxies or entered into any contract, arrangement, or understanding with any person for the voting of securities of the company in favor of the transaction.

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

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

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

TWELFTH: A director of the corporation shall not be personally liable

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

BY-LAWS OF

NBT BANCORP INC.
(herein called the "Corporation")

ARTICLE I. OFFICES

Section 1. Principal Office. The principal office of the Corporation

shall be at:

52 South Broad Street
Norwich, New York 13815

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

Section 2. Other Offices. In addition to its principal office, the

Corporation may have offices at such other places, within or without the State of Delaware, as the Board of Directors may from time to time appoint or as the business of the Corporation may require.

ARTICLE II. STOCKHOLDERS

Section 1. Annual Meetings. The annual meeting of the stockholders of the

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

Section 2. Special Meetings. A special meeting of the stockholders may be

called at any time by the Board of Directors or by the Chairman of the Board of Directors, or, if there is none, by the President, or by the holders of not less than one-half of all the shares entitled to vote at such meeting.

Section 3. Place of Meetings. Each annual meeting of the stockholders

shall be held at the principal office of the Corporation, or at such other place, within or without the State of Delaware, as the Board of Directors may designate in calling such meeting.

Section 4. Notice of Meetings. Written notice of each annual and each

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

Section 5. Quorum. Except as otherwise provided by law, at any meeting of

the stockholders of the Corporation, the presence in person or by proxy of the holders of a majority of the total number of issued and outstanding shares of Common Stock of the Corporation shall constitute a quorum for the transaction of business. In

the absence of a quorum, a majority in voting power of the stockholders present in person or represented by proxy and entitled to vote may adjourn the meeting from time to time and from place to place until a quorum is obtained. At any such adjourned meeting at which a quorum is present any business may be transacted which might have been transacted at the meeting as originally called.

Section 6. Organization. At every meeting of the stockholders, the

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

Section 7. Inspections. The directors, in advance of any meeting, shall

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

Section 8. Business and Order of Business. At each meeting of the

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

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

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

business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made, and (b) as to the stockholder giving notice and the beneficial owner, if any, on whose behalf the proposal is made, (I) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, and (II) the class and number of shares of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

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

Section 9. Voting. Except as otherwise provided by law or by the

Certificate of Incorporation, holders of Common Stock of the Corporation shall be entitled to vote upon matters to be voted upon by the stockholders. At each meeting of stockholders held for any purpose, each stockholder of record of stock entitled to vote thereat shall be entitled to vote the shares of such stock standing in his name on the books of the Corporation on the date determined in accordance with Section 11 of this Article II, each such share entitling him to one vote.

At all meetings of stockholders for the election of directors, if a quorum is present, a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors shall be sufficient to elect. All other elections and questions shall, unless otherwise provided by law, the Certificate of Incorporation or these By-Laws, or unless a separate vote by a class or series or classes or series is required, be decided by the affirmative vote of a majority in voting power of the shares of stock which are present in person or represented by proxy at the meeting and entitled to vote on the subject matter.

The voting shall be by voice or by ballot as the Chairman may decide, except that upon demand for a vote by ballot on any question or election, made by any stockholder or his proxy present and entitled to vote on such question or election, such vote by ballot shall immediately be taken.

Section 10. Voting List. The Secretary of the Corporation shall make, at

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

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

Section 11. Record Dates. (a) In order that the Corporation may determine

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

determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

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

Section 12. Adjournment. Any meeting of stockholders, annual or special,

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

Section 13. Action by Stockholders Without a Meeting. Any action required

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

Section 14. Proxies. At any meeting of the stockholders, each stockholder

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

ARTICLE III. DIRECTORS

Section 1. General Powers. The business and affairs of the Corporation

shall be managed by or under the direction of the Board of Directors, and all corporate powers shall be exercised by or under the direction of the Board of Directors, except as otherwise expressly required by these By-Laws, by the Certificate of Incorporation or by law.

Section 2. Qualification, Number, Classification and Term of Office.

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

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

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

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

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

Section 3. Election of Directors. At each meeting of the stockholders for

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

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

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

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

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

Section 4. Removal of Directors. Any director may be removed at any time,

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

Section 5. Organization. The Board of Directors, by majority vote, may

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

Section 6. Place of Meeting, etc. The Board of Directors may hold its

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

Section 7. Annual Meeting. The Board of Directors may meet, without

notice of such meeting, for the purpose of organization, the election of officers and the transaction of other business, on the same day as, at the place at which, and as soon as practicable after each annual meeting of stockholders is held. Such annual meeting of directors may be held at any other time or place specified in a notice given as hereinafter provided for special meetings of the Board of Directors, or in a waiver of notice thereof.

Section 8. Regular Meetings. Regular meetings of the Board of Directors

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

Section 9. Special Meetings. Special meetings of the Board of Directors

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

Section 10. Waivers of Notice of Meetings. Anything in these By-Laws or

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

Section 11. Quorum and Manner of Acting. A majority of the directors

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

Section 12. Resignations. Any director of the Corporation may resign at

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

Section 13. Manner of Fixing the Number of Directors; Vacancies. The

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

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

Section 14. Committees. The Board of Directors may designate one or more

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

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

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

Section 15. Directors' Action Without a Meeting. Unless otherwise

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

Section 16. Compensation. Directors, as such, may receive compensation as

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

ARTICLE IV. OFFICERS

Section 1. Officers. The officers of the Corporation shall be a Chairman

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

Section 2. Election, Term of Office and Qualifications. The officers

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

Section 3. Subordinate Officers. The Board of Directors may from time to

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

Section 4. Removal. Any officer may be removed, either with or without

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

Section 5. Resignations. Any officer may resign at any time by giving

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

Section 6. Vacancies. A vacancy in any office because of death,

resignation, removal, disqualification or any other cause shall be filled for the unexpired portion of the term by the Board of Directors.

Section 7. Compensation. Salaries or other compensation of the officers

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

Section 8. Chairman of the Board of Directors. Where there is a Chairman

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

Section 9. Vice Chairman of the Board of Directors. The Vice Chairman

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

Section 10. President. The President shall be a director and may be the

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

Section 11. The Vice Presidents. The Vice Presidents shall perform such

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

Section 12. Chief Financial Officer. Except as may otherwise be

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

Section 13. Secretary. The Secretary shall act as Secretary of all

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

Section 14. Assistant Financial Officers and Assistant Secretaries. The

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

ARTICLE V. SHARES OF STOCK

Section 1. Regulation. Subject to the terms of any contract of the

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

Section 2. Stock Certificates. Certificates for shares of the stock of

the Corporation shall be respectively numbered serially for each class of shares, or series thereof and, as they are issued, shall be impressed with the corporate seal or a facsimile thereof, and shall be signed by the Chairman of the Board, the Vice Chairman, the

President or any Vice President and by the Secretary or any Assistant Secretary, or any two officers of the Corporation designated by the Board of Directors, provided that such signatures may be facsimiles on any certificate countersigned by a transfer agent other than the Corporation or its employee or by a registrar other than the Corporation or its employee. Each certificate shall exhibit the name of the Corporation, the class (or series of any class) and number of shares represented thereby and the name of the holder. Each certificate shall be otherwise in such form as may be prescribed by the Board of Directors.

ARTICLE VI. INDEMNIFICATION OF DIRECTORS AND OFFICERS

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

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

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

presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article VI or otherwise shall be on the Corporation.

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

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

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

ARTICLE VII. MISCELLANEOUS

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

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

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

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

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

Section 6. Contracts, etc., How Executed. The Chief Executive Officer,

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

Section 7. Voting of Stock or Other Securities Held. Unless otherwise

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

Section 8. Waivers of Notice. Whenever any notice is required to be given

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

ARTICLE VIII. AMENDMENTS

Section 1. By the Directors. The Board of Directors by a majority vote

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

Section 2. By the Stockholders. Except as otherwise provided in these

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

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FIRST AMENDMENT TO THE
NBT BANCORP INC. 401(K) AND EMPLOYEE STOCK OWNERSHIP PLAN

THIS AMENDMENT, made this 2nd day of July, 2001, by NBT BANCORP INC. (hereinafter called the "Employer").

WHEREAS, the Employer did establish the NBT BANCORP INC. 401(K) AND EMPLOYEE STOCK OWNERSHIP PLAN (the "Plan") for the sole and exclusive benefit of its eligible participants and their respective beneficiaries under the terms and provisions of the Internal Revenue Code of 1986, as amended, and

WHEREAS, the Employer reserved the right to amend said Plan;

NOW, THEREFORE, effective as of January 1, 2001, the Plan shall be amended as follows:

1. Section 8.3 of ARTICLE VIII PAYMENT OR DISTRIBUTION OF BENEFITS, is hereby amended by adding after the last paragraph of this Section the following provision:

"With respect to distributions under the Plan made for calendar years beginning on or after January 1, 2001, the Plan will apply the minimum distribution requirements of section 401(a)(9) of the Internal Revenue Code in accordance with the regulations under section 401(a)(9) that were proposed on January 17, 2001, notwithstanding any provision of the Plan to the contrary. This amendment shall continue in effect until the end of the last calendar year beginning before the effective date of final regulations under section 401(a)(9) or such other date as may be specified in guidance published by the Internal Revenue Service."

2. Subpart (a), of Section 1.14 of ARTICLE I, DEFINITIONS, is hereby amended by adding after the last sentence thereof the following provision:

"Effective on and after January 1, 2001, Compensation shall include elective amounts that are not includible in the gross income of the Participant by reason of Code section 132(f)(4)."

3. Section 1.32, of ARTICLE I, DEFINITIONS, is hereby amended by adding after the last sentence thereof the following provision:

"Effective on and after January 1, 2001, Compensation shall include elective amounts that are not includible in the gross income of the Participant by reason of Code section 132(f)(4)."

4. Section 1.33 of ARTICLE I, DEFINITIONS, is hereby amended by adding after the last sentence thereof following provision:

"Effective January 1, 2001, "414(s) Compensation" shall not include elective amounts that are not includible in the gross income of the Participant under section 125, 132(f)(4), 402(e)(3), 402(h), or 403(b)."

5. In all other respects, the Plan shall remain unchanged by this Amendment.

IN WITNESS WHEREOF, the Employer has caused this instrument to be executed the day and year first above written.

/s/ Jane E. Neal
Executive Vice President

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SECOND AMENDMENT TO THE
NBT BANCORP INC. 401(K) AND EMPLOYEE STOCK OWNERSHIP PLAN

THIS AMENDMENT, made this 2nd day of July, 2001, by NBT BANCORP INC.
(hereinafter called "Employer").

WHEREAS, the Employer did establish the NBT BANCORP INC. 401(K) AND EMPLOYEE
STOCK OWNERSHIP PLAN (the "Plan") for the sole and exclusive benefit of its
eligible participants and their respective beneficiaries under the terms and
provisions of the Internal Revenue Code of 1986, as amended, and

WHEREAS, the Employer reserved the right to amend said Plan;

NOW THEREFORE, effective as of January 1, 2001, the Plan shall be amended as
follows:

1. Section 4.1 of ARTICLE IV, CONTRIBUTION AND ALLOCATION is hereby amended by
adding after the last sentence thereof the following provision as Subpart
(e):

"(e) A special one-time contribution of \$13,142.24, which shall be deemed a
Participating Employer Non-Elective Contribution. Only Participants
who are employed on January 24, 2001 and who were penalized by a
liquidation fee in the SF Guaranteed contract issued by Mass Mutual as
a result of the merger of LA Bank, N.A. with NBT Bancorp Inc. shall be
eligible to share in the special one-time contribution."

2. Subpart (b) of Section 4.4 of ARTICLE IV, CONTRIBUTION AND ALLOCATION is
hereby amended by adding after the last sentence thereof the following
provision as Subpart (4):

"(4) With respect to the special one-time contribution made pursuant to
Section 4.1(e), to each Participant's Account in an amount equal to
4.137% of the amount of the Participant's Account invested in the SF
Guaranteed contract issued by Mass Mutual as of January 24, 2001.
Notwithstanding the foregoing, no amount shall be contributed to a
Participant's Account if the contribution would cause the
Participant's Account to exceed the limitations of Code Section 415."

3. In all other respects, the Plan shall remain unchanged by this Amendment.

IN WITNESS WHEREOF, the Employer has caused this instrument to be executed the
day and year first above written.

/s/ Jane E. Neal
Executive Vice President

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THIRD AMENDMENT
TO
NBT BANCORP INC. 401(K) AND EMPLOYEE STOCK OWNERSHIP PLAN

WHEREAS, NBT BANCORP INC. (the "Employer") sponsors and maintains the NBT BANCORP INC. 401(K) AND EMPLOYEE STOCK OWNERSHIP PLAN (the "Plan") for the benefit of certain of its employees; and

WHEREAS, Section 11.1 of the Plan authorizes the Employer to amend the Plan; and

WHEREAS, the Employer desires to amend the Plan to provide express procedures for the adoption of the Plan by affiliated employers and to provide for the adoption of the Plan by certain of those affiliated employers;

NOW THEREFORE, the Plan is amended, effective January 1, 2002 in the form attached hereto.

NBT BANCORP INC.

By: /s/ Jane E. Neal

Title: Executive Vice President

Date: 12/13/2001

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FOURTH AMENDMENT
TO
NBT BANCORP INC. 401(K) AND EMPLOYEE STOCK OWNERSHIP PLAN

WHEREAS, NBT BANCORP INC. (the "Employer") sponsors and maintains the NBT BANCORP INC. 401(K) AND EMPLOYEE STOCK OWNERSHIP PLAN (the "Plan") for the benefit of certain of its employees; and

WHEREAS, Section 11.1 of the Plan authorizes the Employer to amend the Plan; and

WHEREAS, the Employer desires to amend the Plan to reflect certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA"). This amendment is intended as good faith compliance with the requirements of EGTRRA and is to be construed in accordance with EGTRRA and guidance issued thereunder. Except as otherwise provided, this amendment shall be effective as of the first day of the first plan year beginning after December 31, 2001.

NOW THEREFORE, the Plan is amended, effective January 1, 2002 as follows:

1. Section 1.14 shall be amended to increase the Compensation Limit.

The annual compensation of each participant taken into account in determining allocations for any plan year beginning after December 31, 2001, shall not exceed \$200,000, as adjusted for cost-of-living increases in accordance with Code Section 401(a)(17)(B). Annual compensation means compensation during the plan year or such other consecutive 12-month period over which compensation is otherwise determined under the plan (the determination period). The cost-of-living adjustment in effect for a calendar year applies to annual compensation for the determination period that begins with or within such calendar year.

2. Section 4.9 shall be amended to change the limitations on contributions.

Except to the extent permitted under Section 7 of this amendment and Code Section 414(v), if applicable, the annual addition that may be contributed or allocated to a participant's account under the plan for any limitation year shall not exceed the lesser of:

(a) \$40,000, as adjusted for increases in the cost-of-living under Code Section 415(d), or

(b) 100 percent of the participant's compensation, within the meaning of Code Section 415(c)(3), for the limitation year. The compensation limit referred to in (b) shall not apply to any contribution for medical benefits after separation from service (within the meaning of Code Sections 401(h) or 419A(f)(2)), which is otherwise treated as an annual addition.

3. Sections 4.2(e) and 9.2(b) shall be amended to change the suspension period for elective deferrals following a hardship distribution from twelve months to six months.

4. Section 10.12 shall be amended to change the definition of an eligible rollover distribution.

For purposes of the direct rollover provisions under Section 10.12 of the Plan, any amount distributed on account of hardship after December 31, 2001 shall not be an "Eligible Distribution" and therefore, the distributee may not elect to have any portion of such a distribution paid directly to an "Eligible Plan".

5. Section 8.1 shall be amended to change the involuntary cash-out rules.

For purposes of the involuntary cash-out provisions under Section 8.1, in determining the value of a Participants or Former Participants Combined Account, after December 31, 2001, the value shall be

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determined without regard to that portion of the account balance that is attributable to rollover contributions (and earnings allocable thereto) within the meaning of Code Sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16). If the value of the Participant's or Former Participant's account balance as so determined is \$5,000 or less, the plan shall immediately distribute the Participant's or Former Participant's nonforfeitable account balance.

6. Section 4.2(a) shall be amended with regard to the maximum salary reduction contributions.

No participant shall be permitted to have elective deferrals made under this plan, or any other qualified plan maintained by the Employer during any taxable year, in excess of the dollar limitation contained in Code Section 402(g) in effect for such taxable year, except to the extent permitted under Section 7 of this amendment and Code Section 414(v), if applicable.

7. Section 4.2(j) shall be added to the Plan to deal with Catch-Up Contributions.

All employees who are eligible to make elective deferrals under this Plan and who have attained age fifty before the close of the plan year effective January 1, 2002 shall be eligible to make catch-up contributions in accordance with and subject to the limitations of, Section 414(v) of the Code. Such catch-up contributions shall not be taken into account for purposes of the provisions of the Plan implementing the required limitations of Code Sections 402(g), 401(k)(3), 410(b), 415 and 416, as applicable, by reason of the making of such catch-up contributions.

8. Section 4.4(o) shall be added to the Plan to deal with ESOP Dividend Reinvestment.

Each Participant shall, upon first becoming eligible to participate in the Plan pursuant to Sec.3.1, and on an annual basis thereafter, with respect to the cash dividends on Company Stock held in his Company Stock Account that are credited to his Other Investments Account in accordance with Sec.4.4(c), have the option to:

- (1) receive payments from the Plan of such cash dividends as soon as administratively practicable following the crediting thereof, but in no event later than 90 days following the close of the Plan Year in which such cash dividends were credited to the Participant's Other Investments Account; or
- (2) have such cash dividends re-invested in his Company Stock Account in the Plan as soon as administratively practicable following the crediting thereof, but in no event later than the date such cash dividends would have otherwise been paid as provided for in paragraph (1) above, (the "default election").

Cash dividends re-invested in a Participant's Company Stock Account in accordance with Sec.4.4(o)(2) above and Code Sec.404(k)(2)(A)(iii)(II) shall not be treated as: (1) annual additions for purposes of Code Sec.415; or (2) Elective Contributions for purposes of Code Sec.401(k); or (3) Employee contributions for purposes of Code Sec.401(m) and Article IV of the Plan.

The Plan Administrator shall institute and adopt such administrative procedures pursuant to and in accordance with Sec.2.4, which shall be applied in a uniform and nondiscriminatory manner, as necessary to provide for Participant elections and the payment and re-investment of cash dividends on Company Stock. Such procedures shall provide that:

- (i) a Participant may only make one irrevocable election with respect to the cash dividends to be credited to his Other Investments Account in a given Plan Year, made prospectively at the beginning of such Plan Year or upon first becoming eligible to participate in the Plan; and

(ii) a Participant's election shall remain in effect for all subsequent Plan Years until the Participant makes a new election or his entire Vested account balance is distributed to him; and

(iii) if a Participant fails to make an election upon first becoming eligible to participate in the Plan, or, if later, the effective date of this provision, then he shall be deemed to have elected to re-invest cash dividends as provided for in paragraph (2) above, and such default election shall remain in effect in accordance with paragraph (ii) above.

Notwithstanding the above, for the Plan Year beginning January 1, 2001 and ending December 31, 2001, a Participant's election to receive or re-invest cash dividends for such Plan Year as described herein shall be made after December 31, 2001 and before March 31, 2002. Furthermore, if a Participant elects to receive payment of such cash dividends credited to his Other Investments Account for the 2001 Plan Year in accordance with paragraph (1) above, a single sum payment of all such dividends credited for the year shall be paid to the Participant after December 31, 2001 and before March 31, 2002.

9. Section 8.16 shall be deleted in its entirety and Sections 8.17 through 8.19 shall be renumbered accordingly.

NBT BANCORP INC.

By: /s/ Jane Neal
Title: Executive Vice Pres.
Date: 12/13/2001

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FIFTH AMENDMENT
TO
NBT BANCORP INC. 401(K) AND EMPLOYEE STOCK OWNERSHIP PLAN

WHEREAS, NBT BANCORP INC. (the "Employer") sponsors and maintains the NBT BANCORP INC. 401(K) AND EMPLOYEE STOCK OWNERSHIP PLAN (the "Plan") for the benefit of certain of its employees; and

WHEREAS, Section 11.1 of the Plan authorizes the Employer to amend the Plan; and

WHEREAS, the Employer desires to amend the Plan to reflect certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA"). This amendment is intended as good faith compliance with the requirements of EGTRRA and is to be construed in accordance with EGTRRA and guidance issued thereunder. Except as otherwise provided, this amendment shall be effective as of the first day of the first plan years beginning after December 31, 2001.

NOW THEREFORE, the Plan is amended, effective January 1, 2002 as follows:

1. Section 7.4(b) shall be amended by adding the following language at the end thereof:

Notwithstanding the vesting schedules listed above, a Participant shall be fully vested at all times in his Elective Contribution Account.

Effective January 1, 2002, any dividends received in accordance with Section 4.4(o) shall be fully vested at all times. In addition, a Participant who had an account balance in the Plan as of December 31, 2001 shall be fully vested in any dividends paid during the 2001 Plan Year.

2. Section 9.1(b) shall be amended by adding the following additional section (4) at the end thereof:

The Participant has elected to receive all dividends in cash to the extent such election is currently available to him in accordance with Section 4.4(o).

3. In all other respects, the Plan shall remain unchanged by this Amendment.

IN WITNESS WHEREOF, the Employer has caused this instrument to be executed the day and year first above written.

NBT BANCORP INC.

/S/ MICHAEL J. CHEWENS
SIGNATURE

SECRETARY
TITLE

12/17/01
DATE

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AMENDMENT #1 TO

NBT BANCORP INC. DEFINED BENEFIT PENSION PLAN

PURSUANT TO ARTICLE 14.1 OF THE NBT BANCORP INC. DEFINED BENEFIT PENSION PLAN,
WHICH PROVIDES FOR THE AMENDMENT THEREOF WHEN NECESSARY, THE PLAN IS HEREBY
AMENDED EFFECTIVE DECEMBER 31, 2001, AS FOLLOWS:

ADD THE FOLLOWING PARAGRAPH TO THE END OF THE PREAMBLE:

Effective December 31, 2001, the Central National Bank, Canajoharie Pension Plan ("CNB Plan") merged into the Plan, and for all purposes the NBT Bancorp Inc. Defined Benefit Pension Plan shall be the surviving and continuing Plan. All benefits, rights and features accrued to Participants in the CNB Plan as of December 31, 2001, as determined under the terms of the CNB Plan in effect as of such date and incorporated herein by reference, shall transfer to the Plan on December 31, 2001, together with all the assets and liabilities of the CNB Plan on said date.

Furthermore, in accordance with Article 14.4 and applicable IRS Regulations, if the Plan is terminated, the benefits that would have been paid to Participants in the CNB Plan if such CNB Plan terminated immediately prior to this merger, and the benefits that would have been paid to Participants in the Plan if the Plan terminated immediately prior to this merger, shall not be reduced as a result of such termination.

REPLACE THE EXISTING LANGUAGE IN SECTION 1.35 WITH THE FOLLOWING NEW LANGUAGE:

1.35 "Plan" means the NBT Bancorp Inc. Defined Benefit Pension Plan as amended and restated effective January 1, 2000, as set forth herein and as hereafter may be amended from time to time. The Plan is a continuation, through amendment and restatement, of the Appendix A Plan. Plan also means the Central National Bank, Canajoharie Pension Plan with respect to Participants and benefits accrued under such Plan as of December 31, 2001, at which time such Plan was merged into this Plan.

The Employer consents to the foregoing amendment; and except as herein amended, the Plan is hereby ratified and confirmed.

NBT Bancorp Inc.

By: /s/ Jane Neal
Employer

Date: 12/13/2001

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NBT BANCORP INC.
EMPLOYEE STOCK PURCHASE PLAN

ARTICLE I-PURPOSE

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

ARTICLE II-DEFINITIONS

2.01. BASE PAY

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

2.02. BOARD

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

2.03. CODE

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

2.04. COMMENCEMENT DATE

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

2.05. COMMITTEE

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

2.06. COMMON STOCK

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

2.07. CORPORATION

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

2.08. EMPLOYEE

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

2.09. OFFERING

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

4.01.

2.10. SUBSIDIARY CORPORATION

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

2.11. TERMINATION DATE

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

ARTICLE III-ELIGIBILITY AND PARTICIPATION

3.01. INITIAL ELIGIBILITY

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

3.02. RESTRICTIONS ON PARTICIPATION

No Employee shall participate in an Offering:

- (a) if, immediately after the Commencement Date, such Employee would own stock, and/or hold outstanding options to purchase stock, possessing 5% or more of the total combined voting power or value of all classes of stock of the Corporation (for purposes of this paragraph, the rules of section 424(d) of the Code shall apply in determining stock ownership of any Employee); or
- (b) to the extent that his or her rights to purchase stock under all employee stock purchase plans of the Corporation accrue at a rate which exceeds \$25,000 in fair market value of the stock (determined at the time such options are granted) for each calendar year in which such options are outstanding.

3.03. COMMENCEMENT OF PARTICIPATION

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

ARTICLE IV-GRANTING OF OPTIONS

4.01. ANNUAL OFFERINGS

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

4.02. NUMBER OF OPTION SHARES

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

4.03. OPTION PRICE

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

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

Fair market value as of any date shall mean:

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

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

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

4.04. MAXIMUM SHARES

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

4.05. EMPLOYEE'S INTEREST IN OPTION STOCK

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

ARTICLE V-PAYROLL DEDUCTIONS

5.01. AMOUNT OF DEDUCTION

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

5.02. EMPLOYEE'S ACCOUNT

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

5.03. CHANGES IN PAYROLL DEDUCTIONS

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

5.04. LEAVE OF ABSENCE

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

ARTICLE VI-EXERCISE OF OPTIONS

6.01. AUTOMATIC EXERCISE

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

6.02. BOOK ENTRY ACCOUNTS; DELIVERY OF STOCK

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

6.03. REGISTRATION OF STOCK

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

6.04. TRANSFERABILITY OF STOCK

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

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

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

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

6.05. WITHHOLDING

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

ARTICLE VII-WITHDRAWAL

7.01. IN GENERAL

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

7.02. EFFECT ON SUBSEQUENT PARTICIPATION

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

7.03. TERMINATION OF EMPLOYMENT

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

7.04. TERMINATION OF EMPLOYMENT DUE TO DEATH

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

(i) to withdraw the amount credited to the Employee's account under the Plan, or

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

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

ARTICLE VIII-INTEREST

8.01. PAYMENT OF INTEREST

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

ARTICLE IX-ADMINISTRATION

9.01. APPOINTMENT OF COMMITTEE

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

9.02. AUTHORITY OF COMMITTEE

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

9.03. RULES GOVERNING THE COMMITTEE

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

ARTICLE X-INDEMNIFICATION OF COMMITTEE

10.01. INDEMNIFICATION OF COMMITTEE

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

ARTICLE XI-MISCELLANEOUS

11.01. TRANSFERABILITY

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

11.02. ADJUSTMENT UPON CHANGES IN CAPITALIZATION

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

11.03. AMENDMENT AND TERMINATION

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

11.04. USE OF FUNDS

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

11.05. EFFECTIVE DATE

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

11.06. NO EMPLOYMENT RIGHTS

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

11.07. GOVERNING LAW

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

11.08. DESIGNATION OF BENEFICIARY

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

NBT BANCORP INC. AND SUBSIDIARIES
2002 EXECUTIVE INCENTIVE COMPENSATION PLAN

NBT BANCORP INC. AND SUBSIDIARIES
2002 EXECUTIVE INCENTIVE COMPENSATION PLAN

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Introduction

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

- * Provides Motivation: The opportunity for incentive awards provides -----
Executives with the impetus to "stretch" for challenging, yet attainable, goals.

- * Provides Retention: By enhancing the organization's competitive -----
compensation posture.

- * Provides Management Team Building: By making the incentive award -----
dependent on the attainment of organization goals, a "team orientation" is fostered among the participant group.

- * Provides Individual Motivation: By encouraging the participant to -----
make significant personal contribution to the corporate effort.

- Provides Competitive Compensation Strategy: The implementation of -----
incentive arrangements is competitive with current practice in the banking industry.

Highlights of the 2002 Executive Incentive Compensation Plan (EICP) are listed below:

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

The Board of Directors has established this 2002 Executive Incentive Compensation Plan. The purpose of the Plan is to meet and exceed financial goals and to promote a superior level of performance relative to the competition in our market areas. Through payment of incentive compensation beyond base salaries, the Plan provides reward for meeting and exceeding financial goals.

SECTION I - DEFINITIONS

Various terms used in the Plan are defined as follows:

Base Salary: The base salary at the end of the Plan Year, excluding any

bonuses, contributions to Executive benefit programs, or other compensation not designated as salary.

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

President & CEO: The Chairman, President & CEO of NBT Bancorp Inc.

Corporate Goals: Those pre-established objectives and goals of NBT Bancorp

Inc. which are required to activate distribution of awards under the Plan.

Subsidiary Goals: Those pre-established objectives and goals which apply

to each of the Banking Divisions of NBT Bancorp Inc. and which may activate distribution of awards under the Plan.

Individual Goals: Key objectives mutually agreed upon between participants

and management.

Compensation Committee: The Compensation Committee of the NBT Bancorp Inc.

Board of Directors.

Plan Participant: An eligible Executive as designated by the CEO and

approved by the Compensation Committee for participation for the Plan Year.

Plan Year: The 2002 calendar year.

SECTION II - ELIGIBILITY TO PARTICIPATE

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

SECTION III - ACTIVATING THE PLAN

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

SECTION IV - CALCULATION OF AWARDS

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

SECTION V - SPECIAL RECOMMENDATIONS

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

SECTION VI - DISTRIBUTION OF AWARDS

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

In the event of death, any approved award earned under the provisions of this plan will become payable to the beneficiary designated under this Plan; or if no such designation, to the designated beneficiary of the participant as recorded under the Company's group life insurance program; or in the absence of a valid designation, to the participant's estate.

SECTION VII - PLAN ADMINISTRATION

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

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

SECTION VIII - AMENDMENT, MODIFICATION, SUSPENSION OR TERMINATION

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

SECTION IX - EFFECTIVE DATE OF THE PLAN

The effective date of the Plan shall be January 1, 2002.

SECTION X - EMPLOYER RELATION WITH PARTICIPANTS

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

SECTION XI - GOVERNING LAW

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

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EMPLOYMENT AGREEMENT (REVISED)

This EMPLOYMENT AGREEMENT (the "Agreement") made and entered into as of the first day of January, 2000 (and revised on January 22, 2001 and again on January 1, 2002) by and between DARYL R. FORSYTHE ("Executive") and NBT BANCORP INC., a Delaware corporation having its principal office in Norwich, New York ("NBTB")

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

WHEREAS, Executive is the chairman, president and chief executive officer of NBTB; and

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

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

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

1. Employment; Responsibilities and Duties.

(a) NBTB hereby agrees to employ Executive, and Executive hereby agrees to serve as the chairman, president and chief executive officer of NBTB. Executive shall have such executive duties, responsibilities, and authority as shall be set forth in the bylaws of NBTB or as may otherwise be determined by NBTB.

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

2. Term of Employment.

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

(i) the Executive's 60th birthday (August 2, 2003), unless the Term of Employment shall be extended for one or two additional year(s) by the mutual agreement of the parties;

(ii) the death of Executive;

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

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

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

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

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

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

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

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

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

"Good Reason" shall mean, without Executive's express written consent, reassignment of Executive to a position other than as set forth in section 1(a) of this Agreement other than for "Cause," or a decrease in the amount or level of Executive's salary or benefits from the amount or level established in section 3 hereof.

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

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

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

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

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

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

(d) Any provision of this section 2 to the contrary notwithstanding, in the event that the employment of Executive with NBTB is terminated in any situation described in section 3 of the change-in-control letter agreement

dated July 23, 2001 between NBTB and Executive (the "Change-in-Control Agreement") so as to entitle Executive to a severance payment and other benefits described in section 3 of the Change-in-Control Agreement, then Executive shall be entitled to receive the following, and no more, under this section 2:

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

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

(iii) the severance payment and other benefits provided in the Change-in-Control Agreement.

3. Compensation. For the services to be performed by Executive for

NBTB and its affiliates under this Agreement, Executive shall be compensated in the following manner:

(a) Salary.

(i) NBTB shall pay Executive a salary which, on an annual basis, shall not be less than \$375,000 in 2002 and \$425,000 in 2003. NBTB further agrees that in the event that the Term of Agreement shall be extended pursuant to section 2(a)(i), NBTB shall pay Executive a mutually agreed upon salary which shall not be less than the salary in effect as of August 2, 2003. Salary shall be payable in accordance with the normal payroll practices of NBTB with respect to executive personnel as presently in effect or as they may be modified by NBTB from time to time.

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

(b) Employee Benefit Plans or Arrangements. During the Term of

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

(c) Stock Options. Each January or February annually during the

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

(d) Vacation and Sick Leave. During the Term of Employment,

Executive shall be entitled to paid annual vacation periods and sick leave in accordance with the policies of NBTB as in effect as of the Commencement Date or as may be modified by NBTB from time to time as may be applicable to officers of Executive's rank employed by NBTB or its affiliates, but in no event less than five weeks of paid vacation during any year of the Term of Employment. In addition, and continuing for any additional year(s), if any, by which the Term of Employment shall be extended pursuant to section 2(a)(i), Executive shall also be excused from physical presence at NBTB headquarters (52 S. Broad Street, Norwich, New York) during the months of January, February and March except on an as - required basis as mutually agreed by the Board of Directors of NBTB and Executive.

(e) Automobile. During the Term of Employment, Executive shall be

entitled to the use of an automobile owned by NBTB or an affiliate of NBTB, the make and model of which automobile shall be appropriate to an

officer of Executive's rank, and which will be replaced with a new automobile every two years (or earlier if accumulated mileage exceeds 50,000 miles). Executive shall be responsible for all expenses of ownership and use of such automobile, subject to reimbursement of expenses for business use in accordance with section 3(h).

(f) Country Club Dues. During the Term of Employment, Executive

shall be reimbursed for dues and assessments incurred in relation to Executive's membership at a country club(s) mutually agreed upon by the Board of Directors of NBTB and Executive. Such reimbursement during the initial year of membership shall include any and all initiation fees incurred with respect to Executive's membership at selected club(s).

(g) Withholding. All compensation to be paid to Executive

hereunder shall be subject to required withholding and other taxes.

(h) Expenses. During the Term of Employment, Executive shall be

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

4. Confidential Business Information; Non-Competition.

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

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

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

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

5. Life Insurance. In light of the unusual abilities and experience of

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

6. Representations and Warranties.

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

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

7. Notices. All notices, consents, waivers, or other communications

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

If to NBTB:

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

Attention: Board of Directors

With a required copy to:

NBT Bancorp Inc. Corporate Counsel

If to Executive:

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

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

8. Assignment. Neither party may assign this Agreement or any rights

or obligations hereunder without the consent of the other party.

9. Governing Law. This Agreement shall be governed by, construed, and

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

10. Entire Agreement. This Agreement constitutes the entire

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

11. Illegality; Severability.

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

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

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

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

12. Arbitration. Subject to the right of each party to seek specific

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

arbitrator or arbitrators shall have the power to award reasonable attorney's fees to the prevailing party. Any provision in this Agreement to the contrary notwithstanding, this section shall be governed by the Federal Arbitration Act and the parties have entered into this Agreement pursuant to such Act.

13. Costs of Litigation. In the event litigation is commenced to

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

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

according to the definition of "Affiliate" set forth in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended.

15. Headings. The section and subsection headings herein have been

inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof.

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

NBT BANCORP INC.

By: /s/ANDREW KOWALCZYK, JR.

CHAIRMAN OF THE COMPENSATION
AND BENEFITS COMMITTEE OF
NBT BANCORP INC.

DARYL R. FORSYTHE

/s/ Daryl R. Forsythe 1/28/02

II-21

SUPPLEMENTAL RETIREMENT AGREEMENT
(AS AMENDED AND RESTATED EFFECTIVE JANUARY 28, 2002)

(REVISED)

This sets forth the terms of an agreement for the payment of supplemental retirement income ("Agreement") made as of January 1, 1995 (and as revised on April 28, 1998, January 1, 2000, January 22, 2001 and on January 28, 2002) between (i) NBT BANCORP INC., a Delaware corporation and a registered bank holding company, and NBT BANK, NATIONAL ASSOCIATION, a national banking association chartered under the laws of the United States, both having offices located at Norwich, New York (collectively, the "Bank"), and (ii) DARYL R. FORSYTHE, an individual residing at 21 Ridgeland Road, Norwich, New York 13815, and who is a member of a select group of management or highly compensated employees within the meaning of section 201(2) of the Employee Retirement Income Security Act of 1974, as amended ("Forsythe").

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

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

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

MORTALITY: "Applicable Mortality Rate" as such term is defined in Section 2.03c of said Appendix A to the Qualified Plan.

INTEREST RATE: "Applicable Interest Rate" as such term is defined in Section 2.09b of said Appendix A to the Qualified Plan.

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

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

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

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

(iii) willful neglect, failure, or refusal to carry out his duties under the Employment Agreement between NBT Bancorp Inc. and Forsythe dated as of January 1, 2000 (the "Employment Agreement") in a reasonable manner (other than any such failure resulting from disability or death or from termination by Forsythe for Good Reason, as defined in the Employment Agreement) after a written demand for substantial performance is delivered to Forsythe that specifically identifies the manner in which the Bank believes that Forsythe has not substantially performed his duties and he has not resumed substantial performance of his duties on a continuous basis within thirty days of receiving such demand; or

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

(d) CHANGE OF CONTROL. "Change of Control" shall mean a Change

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

(e) CODE. "Code" shall mean the Internal Revenue Code of 1986,

as amended.

(f) DETERMINATION DATE. "Determination Date" shall mean the

earlier of (i) the date of termination of Forsythe's employment with the Bank or (ii) the first day of the month following Forsythe's 65th birthday.

(g) FINAL AVERAGE COMPENSATION. "Final Average Compensation"

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

(h) FULL-TIME EMPLOYEE. "Full-Time Employee" shall mean an

employee who works not less than 1,000 hours in a calendar year.

(i) OTHER RETIREMENT BENEFITS. "Other Retirement Benefits" shall

mean the sum of:

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

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

The amount of Other Retirement Benefits shall be determined by an actuary selected by the Bank, with such determination to be made without reduction for payment of benefits prior to any stated "normal retirement

date" and without regard to whether Forsythe is receiving payment of such benefits on the Determination Date. To the extent Forsythe receives a payment of Other Retirement Benefits described in subparagraph 2(i)(ii) prior to the date the Supplemental Retirement Benefit is determined pursuant to this Agreement, the total of such Other Retirement Benefits shall be determined by including and assuming that such amounts earned interest at a variable rate equal to the one-year United States Treasury bill rate as reported in the New York edition of The Wall Street Journal on the Determination Date from the date received to the date Other Retirement Benefits are calculated for purposes of this Agreement.

(j) PRESENT VALUE. "Present Value" shall mean the present value of a benefit determined on the basis of the following actuarial assumptions:

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

INTEREST RATE: "Applicable Interest Rate" as such term is defined in Section 2.09b of said Appendix A to the Qualified Plan.

(k) QUALIFIED PLAN. "Qualified Plan" shall mean the NBT BANCORP Inc. Defined Benefit Pension Plan, as amended and restated effective as of January 1, 2000.

(l) SOCIAL SECURITY BENEFIT. "Social Security Benefit" shall mean Forsythe's actual social security benefit at his Social Security Retirement Age.

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

3. AMOUNT OF SUPPLEMENTAL RETIREMENT BENEFIT.

(a) SUPPLEMENTAL RETIREMENT BENEFIT.

(i) AMOUNT PAYABLE ON AND AFTER AGE 65. If Forsythe shall remain employed by the Bank until reaching his 65th birthday, serving as a Full-Time Employee until such date, and subject to the other terms and conditions of this Agreement, the Bank shall pay Forsythe an annual "Supplemental Retirement Benefit" determined as follows:

(A) ON AND AFTER AGE 65 BUT BEFORE SOCIAL SECURITY RETIREMENT AGE. Forsythe shall be entitled to a Supplemental Retirement Benefit on and after his 65th birthday but before his Social Security Retirement Age in an amount equal to the excess of (1) 75 percent of Forsythe's Final Average Compensation, over (2) Forsythe's Other Retirement Benefits, determined as of the Determination Date and calculated in accordance with subparagraph 2(i).

(B) ON AND AFTER SOCIAL SECURITY RETIREMENT AGE.

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

(ii) AMOUNT PAYABLE ON AND AFTER AGE 56 BUT BEFORE AGE 60.

If Forsythe shall remain employed by the Bank until reaching his 56th birthday, serving as a Full-Time Employee until such date and he continues to serve as a Full-Time Employee until the date of his retirement, and he retires then or thereafter but before reaching his 60th birthday, and subject to the other terms and conditions of this Agreement, the Bank shall pay Forsythe on his 60th birthday, pursuant to subparagraph 4(b), or to his spouse or other Beneficiary, pursuant and subject to subparagraph 6(c) if he has died before his 60th birthday, a reduced early Supplemental Retirement Benefit calculated in accordance with subparagraph 3(b) and the following schedule:

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

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

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

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

(iii) AMOUNT PAYABLE ON AND AFTER AGE 60 BUT BEFORE AGE 65.

If Forsythe shall remain employed by the Bank until reaching his 60th birthday, serving as a Full-Time Employee until such date and he continues to serve As a Full-Time Employee until the date of his retirement, and he retires then or thereafter but before reaching his 65th birthday, and subject to the other terms and conditions of this Agreement, the Bank shall pay Forsythe a reduced early Supplemental Retirement Benefit calculated in accordance with subparagraph 3(b) except that at age 62 the amount shall not be less than an amount equal to the excess of (A) 65% of Forsythe's Final Average Compensation over (B) Forsythe's Other Retirement Benefits determined as of the Determination Date and calculated in accordance with subparagraph 2(i)

(b) EARLY SUPPLEMENTAL RETIREMENT BENEFIT. If the Bank commences

payment of a reduced early Supplemental Retirement Benefit before Forsythe reaches age 65, the amount paid shall equal the product of (i) the Supplemental Retirement Benefit, as calculated under subparagraph 3(a)(i)(A), times (ii) a fraction, the numerator of which shall be the number of complete months of Forsythe's employment with the Bank after January 1, 1995, and the denominator of which is 164 (the number of complete months of employment Forsythe would have had after January 1, 1995 if he remained employed by the Bank until the first day of the month following his 65th birthday).

(c) CONTINUED MEDICAL BENEFITS. Upon Forsythe's retirement, the

Bank will continue in force the same level of medical benefits (including medical, dental and vision care) for Executive until his death and for his spouse (if alive) at the time of his death that was in effect at the time of Executive's retirement.

(d) DISABILITY. If Forsythe's employment with the Bank

terminates because of his disability (as defined for purposes of the long term disability plan or policy of the Bank that is applicable to him at such time) before he attains age 62, for purposes of this Section 3, he shall be deemed to have continued to be employed as a Full-Time Employee of the Bank while such disability continues, until he attains age 62, and to have then retired.

4. TIME OF PAYMENT.

(a) Except as provided in subparagraph 4(b) (early retirement) and paragraph 6 (payment on death), the Bank shall pay the Supplemental Retirement Benefit commencing on the first day of the month following Forsythe's attainment of age 65.

(b) Notwithstanding subparagraph 4(a), the Bank shall commence payment of a reduced early Supplemental Retirement Benefit on the first day of the month following Forsythe's Determination Date in connection with early retirement after reaching age 60 and prior to the date of his 65th birthday; provided that, if Forsythe shall retire prior to his 60th birthday as permitted in this Agreement, the Bank shall commence payment of the reduced early Supplemental Retirement Benefit on the first day of the month following Forsythe's 60th birthday.

5. FORM OF PAYMENT.

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

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

(c) Notwithstanding the foregoing provisions of this paragraph 5, the Bank and Forsythe or his surviving spouse, if applicable, by mutual agreement may accelerate the payment of all or any portion of the Supplemental Retirement Benefit or the reduced early Supplemental Retirement Benefit at any time.

Any payment accelerated in accordance with this subparagraph 5(c) shall be the Actuarial Equivalent of the payment being accelerated.

(d) If payment of a reduced early Supplemental Retirement Benefit commences pursuant to subparagraph 4(b), and payments are accelerated pursuant to subparagraph 5(c), the reduction described in subparagraph 3(b) shall be applied before any Actuarial Equivalent is determined under this paragraph 5.

6. PAYMENTS UPON FORSYTHE'S DEATH.

(a) Except as provided in subparagraphs 6(b) and (c), if Forsythe shall die before his 65th birthday, no payment shall be due his estate under this Agreement.

(b) If Forsythe's death shall occur on or after his 60th birthday, before payment of any Supplemental Retirement Benefit has commenced, Forsythe's surviving spouse shall be paid as a straight life annuity 50 percent of the Supplemental Retirement Benefit for her life commencing within 30 days following Forsythe's death, calculated in accordance with subparagraph 3(b) and, if such death occurs while Forsythe is employed by the Bank, as if he had retired on the day before his death. Such payments shall be made in monthly installments, subject to the right of the Bank and such surviving spouse to accelerate payment at any time in accordance with subparagraph 5(c).

(c) If Forsythe dies before his 60th birthday and on or after his 56th birthday, before payment of any Supplemental Retirement Benefit has commenced, Forsythe's surviving spouse shall be paid, in monthly installments, as a straight life annuity, 50 percent of such Supplemental Retirement Benefit for her life commencing within 30 days following Forsythe's death, calculated in accordance with subparagraph 3(a)(ii) and, if such death occurs while Forsythe is employed by the Bank, as if he had retired on the day before his death, subject to the right of the Bank and such surviving spouse to accelerate such payments as provided in subparagraph 5(c). However, if Forsythe's spouse fails to survive him, the Bank shall pay to Forsythe's estate a lump sum benefit equal to 50 percent of the Present Value of Forsythe's Supplemental Retirement Benefit, calculated as provided in the preceding sentence.

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

(e) If Forsythe's death shall occur after payment of a Supplemental Retirement Benefit has commenced, Forsythe's surviving spouse or other Beneficiaries shall receive payments under this Agreement to the extent provided in paragraph 5.

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

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

8. POWERS. The Bank shall have such powers as may be necessary to discharge

its duties under this Agreement, including the power to interpret and construe this Agreement and to determine all questions regarding employment, disability status, service, earnings, income and such factual matters as birth and marital status. The Bank's determinations hereunder shall be conclusive and binding upon the parties hereto and all other persons having or claiming an interest under this Agreement. The Bank shall have no power to add to, subtract from, or modify any of the terms of this Agreement. The Bank's determinations hereunder shall be entitled to deference upon

review by any court, agency or other entity empowered to review its decisions, and shall not be overturned or set aside by any court, agency or other entity unless found to be arbitrary, capricious or contrary to law.

9. CLAIMS PROCEDURE.

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

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

(c) A denial notice shall contain:

(i) The specific reason or reasons for the denial of the claim;

(ii) Specific reference to pertinent Agreement provisions upon which the denial is based;

(iii) A description of any additional material or information necessary to perfect the claim, with an explanation of why the material or information is necessary; and

(iv) An explanation of the review procedures provided below.

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

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

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

(g) The review decision shall contain:

(i) The specific reason or reasons for the decision; and

(ii) Specific reference to the pertinent Agreement provisions upon which the decision is based.

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

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

10. ASSIGNMENT. Neither Forsythe nor his spouse or other Beneficiaries may -----

transfer his, her or their right to payments to which he, she or they are entitled under this Agreement. Except insofar as may otherwise be required by law, any Supplemental Retirement Benefit payable under this Agreement shall not be subject in any manner to alienation by anticipation, sale, transfer, assignment, pledge or encumbrance, nor subject to the debts, contracts, or liabilities of Forsythe or his spouse or other Beneficiaries.

11. CONTINUED EMPLOYMENT. This Agreement shall not be construed as -----

conferring on Forsythe a right to continued employment with the Bank.

12. FUNDING. -----

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

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

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

13. WITHHOLDING. Any payment made pursuant to this Agreement shall be -----

reduced by federal and state income, FICA or other employee payroll, withholding or other similar taxes the Bank may be required to withhold. In addition, as the Supplemental Retirement Benefit accrues during Forsythe's employment with the Bank, the Bank may withhold from Forsythe's regular compensation from the Bank any FICA or other employee payroll, withholding or other similar taxes the Bank may be required to withhold.

14. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon, and shall -----

inure to the benefit of, the successors and assigns of the Bank.

15. APPLICABLE LAW. This Agreement shall be construed and administered in -----

accordance with the laws of the State of New York, except to the extent preempted by federal law.

16. AMENDMENT. This Agreement may not be amended, modified or otherwise -----

altered except by written instrument executed by both parties.

17. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement and

understanding of the parties, and supersedes all prior agreements or
understanding (whether oral or written) between the parties, relating to
deferred compensation and/or supplemental retirement income.

The parties hereby execute this Agreement as follows:

NBT BANCORP INC.

By: /s/ Andrew Kowalczyk Jr.

Date: 1/28/02

Its: Chairman Compensation Committee

NBT BANK, NATIONAL ASSOCIATION

By: /s/ Michael J. Chewens

Date: 1/28/02

Its: Secretary

Date: 1/28/02

/s/ Daryl R. Forsythe
DARYL R. FORSYTHE

Amendment dated January 28, 2002 to Death Benefits Agreement between NBT Bancorp Inc., NBT Bank, National Association and Daryl R. Forsythe made August 22, 1995.

AMENDMENT TO DEATH BENEFITS AGREEMENT

THIS AGREEMENT (this "Agreement") is made and entered into effective as of the 28 day of January, 2002, by and among NBT BANCORP INC., a Delaware corporation, and NBT Bank, N.A., a national banking association organized under the laws of the United States (hereinafter referred to collectively as the "Bank"), Daryl R. Forsythe (the "Employee").

WHEREAS, the Bank and the Employee have entered to that certain Death Benefits Agreement dated as of August 22, 1995 (the "1995 Agreement");

WHEREAS, the 1995 Agreement may be amended by a written instrument signed by the Bank and the Employee; and

WHEREAS, the Bank and the Employee desire to amend the 1995 Agreement as set out in this Agreement.

NOW, THEREFORE, the parties agree as follows:

1. Section 1 of Article IX of the 1995 Agreement is amended to read in its entirety as follows:

1. THIS AGREEMENT MAY BE TERMINATED AT ANY TIME WHILE THE EMPLOYEE IS LIVING BY A WRITTEN INSTRUMENT SIGNED BY THE BANK AND THE EMPLOYEE, PROVIDED, THAT THE BANK MAY TERMINATE THIS AGREEMENT BY WRITTEN NOTICE TO THE EMPLOYEE AT ANY TIME AFTER THE EMPLOYEE HAS CEASED TO BE THE CHAIRMAN OF THE BANK OTHER THAN BECAUSE OF HIS DEATH; AND, IN ANY EVENT, THIS AGREEMENT WILL TERMINATE UPON TERMINATION OF THE EMPLOYEE'S EMPLOYMENT WITH THE BANK FOR ANY REASON OTHER THAN HIS DEATH.

2. The following new sentence is added to the end of Article X of the 1995 Agreement:

WITHOUT LIMITING THE FOREGOING, FOLLOWING TERMINATION OF THIS AGREEMENT, TO THE EXTENT PERMITTED BY THE POLICY, THE BANK MAY DESIGNATE ANY OFFICER OR OTHER EMPLOYEE OF THE BANK AS THE INSURED UNDER THE POLICY AND MAY CONTINUE THIS AGREEMENT WITH SUCH OFFICER OR EMPLOYEE.

3. The foregoing amendments shall be effective upon the date of this Agreement.

4. In other respects, the 1995 Agreement shall continue in full force and effect. The parties hereby execute this Agreement as follows:

NBT BANCORP INC.

By: /s/ Andrew Kowalczyk Jr.

Date: 1/28/02

Its: Chairman Compensation Committee

NBT BANK, NATIONAL ASSOCIATION

By: /s/ Michael J. Chewens

Date: 1/28/02

Its: Secretary

Date: 1/28/02

/s/ Daryl R. Forsythe
DARYL R. FORSYTHE

SPLIT-DOLLAR AGREEMENT

THIS AGREEMENT (the "Agreement") is made and entered into as of this 28 day of January, 2002, by and among NBT Bancorp Inc., a Delaware corporation, and NBT Bank, N.A., a national banking association organized under the laws of the United States (collectively, the "Bank"), and Daryl R. Forsythe, an individual residing in the State of New York (the "Employee").

WHEREAS, the Employee is employed by the Bank as its president and chief executive officer;

WHEREAS, the Employee wishes to provide additional life insurance protection for his family in the event of his death;

WHEREAS, the Bank is willing to pay the premiums due on a policy of life insurance as an employment benefit for the Employee, on the terms and conditions hereinafter set forth;

WHEREAS, the Bank and the Employee have applied for Insurance Policy Number 28105185 on the life of the Employee (the "Policy") from New England Financial (the "Insurer") in the face amount of \$1,500,000, pursuant to which the Bank will be the owner of the Policy;

WHEREAS, the Bank and the Employee agree to make the Policy subject to this Agreement; and

WHEREAS, it is understood and agreed that this Agreement is to be effective as of the date on which the Policy is issued by the Insurer.

NOW, THEREFORE, in consideration of the premises and of the mutual promises contained herein, the parties hereto agree as follows:

1. INSURANCE POLICY. The Bank shall purchase the Policy from the Insurer and shall be the sole and absolute owner of the Policy. The parties agree that the Policy shall be subject to the terms of this Agreement and of the endorsement to the Policy filed with the Insurer to implement the provisions of this Agreement. The Bank may exercise all ownership rights granted to the owner of the Policy by the terms thereof, except as otherwise provided in this Agreement. The Bank shall be the direct beneficiary of the total death proceeds, less \$1,000,000.00 (the "Bank's Interest in the Policy"). The Bank will keep possession of the Policy. The Bank agrees to make the Policy available at reasonable times to the Employee or the Insurer for the purpose of endorsing or filing any change of beneficiary on the Policy for the portion of the death proceeds that is in excess of the Bank's Interest in the Policy, but the Policy shall thereafter be promptly returned to the Bank. Any indebtedness on the Policy will first be deducted from the proceeds payable to the Bank. Also, any collateral assignment made by the Bank will be deducted from the proceeds payable to it. The Employee shall be entitled to designate the beneficiary or beneficiaries of the remainder of the Policy death proceeds in excess of the Bank's Interest in the Policy.

2. ELECTION OF SETTLEMENT OPTION AND BENEFICIARY. By notice to the Bank, the Employee may select the settlement option for payment of, and the beneficiary or beneficiaries to receive, the portion of the death benefit provided under the Policy in excess of the Bank's Interest in the Policy. Upon receipt of such notice, the Bank shall execute and deliver to the Insurer the forms necessary to elect the requested settlement option and to designate the requested person, persons or entity as the beneficiary or beneficiaries to receive such portion of the death proceeds of the Policy. The parties hereto agree to take all actions necessary to cause the beneficiary designation and settlement election provisions of the Policy to conform to the provisions hereof. The Bank shall not terminate, alter or amend such designation or election without the express written consent of the Employee.

3. POLICY DIVIDENDS. Any dividend declared on the Policy shall be applied to reduce premiums on the Policy.

4. PAYMENT OF PREMIUMS. The Bank shall pay a sufficient amount of premiums to the Insurer to maintain the Policy in force, and shall, upon request, provide evidence to the Employee that the Policy remains in force. The Bank shall annually furnish the Employee a statement of the amount of income reportable by the Employee for federal and state income tax purposes, as a result of the insurance protection provided the Employee.

5. LIMITATION ON THE BANK'S RIGHTS IN THE POLICY. The Employee will have rights set out in Section 2 hereof with respect to the death benefit provided under the Policy in excess of the Bank's Interest in the Policy. The Bank shall not sell, surrender, change the insured or assign or transfer ownership of the Policy except after termination of the Agreement pursuant to Section 6 hereof, other than for the purpose of obtaining a loan against the Policy. The aggregate amount of such loans, together with the unpaid interest accrued thereon, will at no time exceed the lesser of (a) the Bank's Interest in the Policy or (b) the loan value of the Policy as determined by the Insurer. The Bank will not take any action dealing with the Insurer that would impair any right or interest of the Employee in the Policy. Without limiting the foregoing, following termination of this Agreement, to the extent permitted by the Policy, the Bank may designate any officer or other employee of the Bank as the insured under the Policy and may continue this Agreement with such officer or employee. The exercise by the Bank of the right to surrender the policy or to change the insured will terminate the rights of the Employee in the Policy.

6. TERMINATION OF THE AGREEMENT DURING THE EMPLOYEE'S LIFETIME. This Agreement may be terminated at any time while the Employee is living by a written instrument signed by the Bank and the Employee, provided, that the Bank may terminate this Agreement by written notice to the Employee at any time after the Employee has ceased to be the Chairman of the Bank other than because of his death; and, in any event, this Agreement will terminate upon termination of the Employee's employment with the Bank for any reason whatsoever other than Employee's death.

7. INSURER NOT A PARTY. The Insurer shall be fully discharged from its obligations under the Policy by payment of the Policy death benefit to the beneficiary or beneficiaries named in the Policy, subject to the terms and conditions of the Policy. In no event shall the Insurer be considered a party to this Agreement, or any modification or amendment hereof. No provision of this Agreement, nor of any modification or amendment hereof, shall in any way be construed as enlarging, changing, varying, or in any other way affecting the obligations of the Insurer as expressly provided in the Policy, except insofar as the provisions hereof are made a part of the Policy by the beneficiary designation executed by the Bank and filed with the Insurer in connection herewith. The Insurer shall not be obligated to inquire as to the distribution of any monies payable or paid by it under the Policy on the Employee's life pursuant to the terms of this Agreement.

8. ASSIGNMENT BY THE EMPLOYEE. Notwithstanding any provision hereof to the contrary, the Employee shall have the right to absolutely and irrevocably assign by gift all of his right, title and interest in and to this Agreement and to the Policy to an assignee. This right shall be exercisable by the execution and delivery to the Bank of a written assignment, in the form provided by the Bank. Upon receipt of such written assignment executed by the Employee and duly accepted by the assignee thereof, the Bank shall consent thereto in writing, and shall thereafter treat the Employee's assignee as the sole owner of all of the Employee's right, title and interest in and to this Agreement and in and to the Policy. Thereafter the Employee shall have no right, title or interest in and to this Agreement or the Policy, all such rights being vested in and exercisable only by such assignee.

9. NAMED FIDUCIARY, DETERMINATION OF BENEFITS, CLAIMS PROCEDURE AND ADMINISTRATION.

a. The Bank is hereby designated as the named fiduciary under this Agreement. The named fiduciary shall have authority to control and manage the operation and administration of this Agreement, and it shall be responsible for establishing and carrying out a funding policy and method consistent with the objectives of this Agreement.

b. (1) Claim.

A person who believes that he or she is being denied a benefit to which he or she is entitled under this Agreement (hereinafter referred to as a "Claimant") may file a written request for such benefit with the Bank, setting forth his or his claim. The request must be addressed to the general counsel of the Bank at its then principal place of business.

(2) Claim Decision.

Upon receipt of a claim, the Bank shall advise the Claimant that a reply will be forthcoming within 90 days and shall, in fact, deliver such reply within such period. The Bank may, however, extend the reply period for an additional 90 days for reasonable cause.

If the claim is denied in whole or in part, the Bank shall adopt a written opinion, using language calculated to be understood by the Claimant, setting forth: (a) the specific reason or reasons for such denial; (b) the specific reference to pertinent provisions of this Agreement on which such denial is based; (c) a description of any additional material or information necessary for the Claimant to perfect his or his claim and an explanation why such material or such information is necessary; (d) appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review; and (e) the time limits for requesting a review under subsection (3) and for review under subsection (4) hereof.

(3) Request for Review.

Within 60 days after the receipt by the Claimant of the written opinion described above, the Claimant may request in writing that the Bank review the determination of the Bank. Such request must be addressed to the general counsel of the Bank, at its then principal place of business. The Claimant or his or her duly authorized representative may, but need not, review the pertinent documents and submit issues and comments in writing for consideration by the Bank. If the Claimant does not request a review of the Bank's determination within such 60 day period, he or she shall be barred and estopped from challenging the Bank's determination.

(4) Review of Decision.

Within 60 days after the general counsel's receipt of a request for review, he or she will review the Bank's determination. After considering all materials presented by the Claimant, the general counsel will render a written opinion, written in a manner calculated to be understood by the Claimant, setting forth the specific reasons for the decision and containing specific references to the pertinent provisions of this Agreement on which the decision is based. If special circumstances require that the 60 day time period be extended, the Secretary will so notify the Claimant and will render the decision as soon as possible, but no later than 120 days after receipt of the request for review.

10. AMENDMENT. This Agreement may not be amended, altered or modified, except by a written instrument signed by the parties hereto, or their respective successors or assigns, and may not be otherwise terminated except as provided herein.

11. BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of the Bank and its successors and assigns, and the Employee, his successors, assigns, heirs, executors, administrators and beneficiaries.

12. NOTICES. Any notice, consent or demand required or permitted to be given under the provisions of this Agreement shall be in writing, and shall be signed by the party giving or making the same. If such notice, consent or demand is mailed to a party hereto, it shall be sent by United States certified mail, postage prepaid, addressed to such party's last known address as shown on the records of the Bank. The date of such mailing shall be deemed the date of notice, consent or demand.

13. GOVERNING LAW. This Agreement, and the rights of the parties hereunder, shall be governed by and construed in accordance with the laws of the United States, to the extent applicable, and otherwise by the laws of the State of New York applicable to contracts entered into and performed wholly within its borders.

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

NBT BANCORP INC.

By: /s/ Andrew Kowalczyk Jr. 1/28/02

Title: Chairman Compensation Committee

NBT BANK, NATIONAL ASSOCIATION

By: /s/ Michael J. Chewens

Its: Secretary 1/28/02

DARYL R. FORSYTHE

/s/ Daryl R. Forsythe 1/28/02

II-39

Form of Employment Agreement between NBT Bancorp Inc. and Martin A. Dietrich
made as of January 1, 2002.

EMPLOYMENT AGREEMENT (REVISED)

This EMPLOYMENT AGREEMENT (the "Agreement") made and entered into this first day of January, 2000 and revised on January 1, 2002, by and between MARTIN A. DIETRICH ("Executive") and NBT BANCORP INC., a Delaware corporation having its principal office in Norwich, New York ("NBTB")

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

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

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

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

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

1. Employment; Responsibilities and Duties.

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

(b) NBTB hereby agrees to cause Executive to be reelected to the board of directors of NBT Bank for successive terms throughout the Term of Employment.

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

2. Term of Employment.

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

(i) JANUARY 1, 2005, PROVIDED, HOWEVER, THAT ON JANUARY 1, 2003, AND ON EACH JANUARY 1 THEREAFTER, THE TERM OF EMPLOYMENT SHALL AUTOMATICALLY EXTEND ITSELF BY ONE ADDITIONAL YEAR;

(ii) the death of Executive;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) any salary payable pursuant to section 3(a)(i) hereof which shall have accrued as of the Termination Date, and, for the period commencing on the date immediately following the Termination Date and ending upon and including the latest of January 1, 2005, the date to which the Term of Employment shall (as of the Termination Date) have automatically extended itself

under section 2(a)(i) hereof, or the second anniversary of the Termination Date, salary payable at the rate established pursuant to section 3(a)(i) hereof, in a manner consistent with the normal payroll practices of NBTB with respect to executive personnel as presently in effect or as they may be modified by NBTB from time to time; and

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

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

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

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

(iii) the severance payment and other benefits provided in the Change-in-Control Agreement.

3. Compensation. For the services to be performed by Executive for

NBTB and its affiliates under this Agreement, Executive shall be compensated in the following manner:

(a) Salary. During the Term of Employment:

(i) NBTB shall pay Executive a salary which, on an annual basis, shall not be less than \$260,000 during 2002. Salary shall be payable in accordance with the normal payroll practices of NBTB with respect to executive personnel as presently in effect or as they may be modified by NBTB from time to time.

(ii) Executive shall be entitled to annual salary increases of 8 percent during the Term of Employment, beginning in 2003, and shall be eligible to be considered for further salary increases, upon review, in accordance with the compensation policies of NBTB with respect to executive personnel as presently in effect or as they may be modified by NBTB from time to time.

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

(b) Employee Benefit Plans or Arrangements. During the Term of

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

(c) Stock Options. Each January or February annually during the

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

(d) Vacation and Sick Leave. During the Term of Employment,

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

(e) Automobile. During the Term of Employment, Executive shall be

entitled to the use of an automobile owned by NBTB or an affiliate of NBTB, the make, model, and year of which automobile shall be appropriate to an officer of Executive's rank employed by NBTB or its affiliates and consistent with that provided to others of Executive's rank employed by NBTB or its affiliates. During the second year of the Term of Employment, the automobile used by Executive will be replaced with a new automobile, whose value shall not exceed \$45,000 escalated by an amount calculated by the controller's division of NBT Bank to adjust for the effect of inflation upon \$45,000 between the Commencement Date and the date of the replacement of the vehicle (an "Inflation Adjustment"). During the remaining term of the Term of Employment, should three years elapse from the date of the automobile replacement described in the previous sentence (or any subsequent automobile replacement that takes place under this section), or, if earlier, should the replaced automobile (or any automobile provided under such subsequent automobile replacement) have accumulated 50,000 miles, then it will be replaced with a new automobile whose value shall not exceed the sum of \$45,000 and an Inflation Adjustment. Executive shall be responsible for all expenses of ownership and use of any such automobile, subject to reimbursement of expenses for business use in accordance with section 3(h).

(f) Country Club Dues. During the Term of Employment, Executive

shall be reimbursed for dues and assessments incurred in relation to Executive's membership at a country club mutually agreed upon by NBTB and the Executive.

(g) Withholding. All compensation to be paid to Executive

hereunder shall be subject to required withholding and other taxes.

(h) Expenses. During the Term of Employment, Executive shall be

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

4. Confidential Business Information; Non-Competition.

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

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

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

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

5. Life Insurance. In light of the unusual abilities and experience of

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

6. Representations and Warranties.

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

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

7. Notices. All notices, consents, waivers, or other communications

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

If to NBTB:

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

Attention: Mr. Daryl R. Forsythe
President and Chief Executive Officer

With a required copy to:

NBT BANCORP INC. CORPORATE COUNSEL

If to Executive:

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

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

8. Assignment. Neither party may assign this Agreement or any rights

or obligations hereunder without the consent of the other party.

9. Governing Law. This Agreement shall be governed by, construed, and

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

10. Entire Agreement. This Agreement constitutes the entire

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

11. Illegality; Severability.

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

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

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

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

12. Arbitration. Subject to the right of each party to seek specific

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

13. Costs of Litigation. In the event litigation is commenced to

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

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

or NBT Bank according to the definition of "Affiliate" set forth in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended.

15. Headings. The section and subsection headings herein have been

inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof.

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

NBT BANCORP INC.

By: /s/ Daryl R. Forsythe

DARYL R. FORSYTHE
CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE OFFICER

MARTIN A. DIETRICH

/s/ Martin A. Dietrich

II-48

Form of Employment Agreement between NBT Bancorp Inc. and Michael J. Chewens made as of January 1, 2002.

EMPLOYMENT AGREEMENT (REVISED)

This EMPLOYMENT AGREEMENT (the "Agreement") made and entered into as of the first day of June, 2000 and revised on January 1, 2002, by and between MICHAEL J. CHEWENS ("Executive") and NBT BANCORP INC., a Delaware corporation having its principal office in Norwich, New York ("NBTB")

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

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

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

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

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

1. Employment; Responsibilities and Duties.

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

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

2. Term of Employment.

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

(i) January 1, 2005, provided, however, that on January 1, 2003, and on each January 1 thereafter, the Term of Employment shall automatically extend itself by one additional year;

(ii) the death of Executive;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) any salary payable pursuant to section 3(a)(i) hereof which shall have accrued as of the Termination Date, and, for the period commencing on the date immediately following the Termination Date and ending upon and including the latest of January 1, 2005, the date to which the Term of Employment shall (as of the Termination Date) have automatically extended itself under section 2(a)(i) hereof, or the second anniversary of the Termination Date, salary payable at the rate established pursuant to section 3(a)(i) hereof, in a manner consistent with the normal payroll practices of NBTB with respect to executive personnel as presently in effect or as they may be modified by NBTB from time to time;

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

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

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

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

(d) Any provision of this section 2 to the contrary notwithstanding, in the event that the employment of Executive with NBTB is terminated in any situation described in section 3 of the change-in-control letter agreement dated January 1, 2000 between NBTB and Executive (the "Change-in-Control Agreement") so as to entitle Executive to a severance payment and other benefits described in section 3 of the Change-in-Control Agreement, then Executive shall be entitled to receive the following, and no more, under this section 2:

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

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

(iii) the severance payment and other benefits provided in the Change-in-Control Agreement; and

(iv) if, within eighteen (18) months following the Termination Date, Executive should sell his principal residence in the Binghamton RMA and relocate to a place outside of the Binghamton RMA, (A) reimbursement for any shortfall between the net proceeds on the sale of his principal residence and the purchase price, including direct, necessary and

reasonable transaction costs incurred in connection with such purchase, as determined by the finance division of NBT Bank, for such residence, and including direct, necessary and reasonable expenses, as determined by the controller's division of NBT Bank, incurred to prepare the residence for sale, (B) reimbursement for direct, necessary and reasonable expenses, as determined by the finance division of NBT Bank, incurred in connection with the sale of such residence not already included as part of the reimbursement under (A) above, and (C) the Gross-Up, the intent being that the net amount retained by the Executive, after deduction of such federal, state and local income taxes resulting from the reimbursement under (A) and (B) shall be equal to the amount of the reimbursement under (A) and (B) before payment of such taxes; for purposes of determining the amount of the Gross-Up, Executive shall be deemed to pay federal, state and local income taxes at the highest marginal rate of taxation in effect in the calendar year in which the reimbursement is made. Amounts due under this subsection shall be paid as soon as administratively practicable, but in no event later than ninety (90) days after the date of the sale of Executive's principal residence.

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

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

3. Compensation. For the services to be performed by Executive for

NBTB and its affiliates under this Agreement, Executive shall be compensated in the following manner:

(a) Salary. During the Term of Employment:

(i) NBTB shall pay Executive a salary which, commencing on January 1, 2002, on an annual basis, shall not be less than \$214,500 during the Term of Employment. Salary shall be payable in accordance with the normal payroll practices of NBTB with respect to executive personnel as presently in effect or as they may be modified by NBTB from time to time.

(ii) Executive shall be entitled to annual salary increases of 8 percent during the Term of Employment, beginning in January 2003, and shall be eligible to be considered for further salary increases, upon review, in accordance with the compensation policies of NBTB with respect to executive personnel as presently in effect or as they may be modified by NBTB from time to time.

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

(b) Employee Benefit Plans or Arrangements. During the Term of

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

(c) Stock Options. Each January or February annually during the

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

(d) Vacation and Sick Leave. During the Term of Employment, Executive

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

(e) Automobile. During the Term of Employment, Executive shall be

entitled to the use of an automobile (whose value shall not exceed \$40,000), owned by NBTB or an affiliate of NBTB, the make, model, and year of which automobile shall be appropriate to an officer of Executive's rank and which will be replaced every three years (or earlier if the accumulated mileage exceeds 50,000 miles) with new automobile whose value shall not exceed the sum of \$40,000 escalated by an amount calculated by the finance division of NBTB to adjust for the effect of inflation upon the \$40,000 (an "Inflation Adjustment"). Executive shall be responsible for all expenses of ownership and use of any such automobile, subject to reimbursement of expenses for business use in accordance with section 3(h).

(f) Country Club Dues. During the Term of Employment, Executive

shall be reimbursed for dues and assessments incurred in relation to Executive's membership at a country club mutually agreed upon by the chief executive officer of NBTB and the Executive.

(g) Withholding. All compensation to be paid to Executive hereunder

shall be subject to required withholding and other taxes.

(h) Expenses. During the Term of Employment, Executive shall be

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

4. Confidential Business Information; Non-Competition.

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

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

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

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

5. Life Insurance. In light of the unusual abilities and experience of

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

6. Representations and Warranties.

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

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

7. Notices. All notices, consents, waivers, or other communications

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

If to NBTB:

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

Attention: Mr. Daryl R. Forsythe
President and Chief Executive Officer

With a required copy to:

NBT Bancorp Inc. Corporate Counsel

If to Executive:

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

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

8. Assignment. Neither party may assign this Agreement or any rights

or obligations hereunder without the consent of the other party.

9. Governing Law. This Agreement shall be governed by, construed, and

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

10. Entire Agreement. This Agreement constitutes the entire

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

11. Illegality; Severability.

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

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

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

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

12. Arbitration. Subject to the right of each party to seek specific

performance (which right shall not be subject to arbitration), if a dispute arises out of or related to this Agreement, or the breach thereof, such dispute shall be referred to arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA"). A dispute subject to the provisions of this section will exist if either party notifies the other party in writing that a dispute subject to arbitration exists and states, with

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

13. Costs of Litigation. In the event litigation is commenced to

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

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

or NBT Bank according to the definition of "Affiliate" set forth in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended.

15. Headings. The section and subsection headings herein have been

inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof.

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

NBT BANCORP INC.

By: /s/ Daryl R. Forsythe
Daryl R. Forsythe
Chairman, President and
Chief Executive Officer

MICHAEL J. CHEWENS

/s/ Michael J. Chewens

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EMPLOYMENT AGREEMENT (REVISED)

This EMPLOYMENT AGREEMENT (the "Agreement") made and entered into as of this first day of August, 2001 and amended on January 1, 2002, by and between DAVID E. RAVEN ("Executive") and NBT BANCORP INC., a Delaware corporation having its principal office in Norwich, New York ("NBTB")

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

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

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

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

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

1. Employment; Responsibilities and Duties.

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

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

2. Term of Employment.

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

(i) January 1, 2005 provided, however that on January 1, 2003, and on each January 1 thereafter, the Term of Employment shall automatically extend itself by one additional year;

(ii) the death of Executive;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) any salary payable pursuant to section 3(a)(i) hereof which shall have accrued as of the Termination Date, and, for the period commencing on the date immediately following the Termination Date and ending upon and including the latest of January 1, 2005, the date to which the Term of Employment shall (as of the Termination Date) have automatically extended itself under section 2(a)(i) hereof, or the second anniversary of the Termination Date, salary payable at the rate established pursuant to section 3(a)(i) hereof, in a manner consistent with the normal payroll practices of NBTB with respect to executive personnel as presently in effect or as they may be modified by NBTB from time to time; and

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

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

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

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

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

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

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

(iii) the severance payment and other benefits provided in the Change-in-Control Agreement; and

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

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

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

3. Compensation. For the services to be performed by Executive for

NBTB and its affiliates under this Agreement, Executive shall be compensated in the following manner:

(a) Salary. During the Term of Employment:

(i) NBTB shall pay Executive a salary which, on an annual basis, shall not be less than \$200,000 during the Term of Employment, assuming Executive performs competently. Salary shall be payable in accordance with the normal payroll practices of NBTB with respect to executive personnel as presently in effect or as they may be modified by NBTB from time to time.

(ii) Commencing on January 1, 2003, Executive shall be entitled to annual salary increases of 8 percent each subsequent January during the Term of Employment, and shall be eligible to be considered for further salary increases, upon review, in accordance with the compensation policies of NBTB with respect to executive personnel as presently in effect or as they may be modified by NBTB from time to time.

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

(b) Employee Benefit Plans or Arrangements. During the Term of

Employment, Executive shall be entitled to participate in all employee benefit plans of NBTB, as presently in effect or as they may be modified by NBTB from

time to time, under such terms as may be applicable to officers of Executive's rank employed by NBTB or its affiliates, including, without limitation, plans providing retirement benefits, stock options, medical insurance, life insurance, disability insurance, and accidental death or dismemberment insurance, provided that there be no duplication of such benefits as are provided under any other provision of this Agreement.

(c) Stock Options. Each January or February annually during the

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

(d) Vacation and Sick Leave. During the Term of Employment,

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

(e) Automobile. During the Term of Employment, Executive shall be

entitled to the use of an automobile (whose value shall not exceed \$40,000), owned by NBTB or an affiliate of NBTB, the make, model, and year of which automobile shall be appropriate to an officer of Executive's rank and which will be replaced every three years (or earlier if the accumulated mileage exceeds 50,000 miles) with new automobile whose value shall not exceed the sum of \$40,000 escalated by an amount calculated by the finance division of NBTB to adjust for the effect of inflation upon the \$40,000 (an "Inflation Adjustment"). Executive shall be responsible for all expenses of ownership and use of any such automobile, subject to reimbursement of expenses for business use in accordance with section 3(h).

(f) Country Club Dues. During the Term of Employment, Executive

shall be reimbursed for dues and assessments incurred in relation to Executive's membership at a country club mutually agreed upon by the chief executive officer of NBT Bank and the Executive.

(g) Withholding. All compensation to be paid to Executive

hereunder shall be subject to required withholding and other taxes.

(h) Expenses. During the Term of Employment, Executive shall be

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

4. Confidential Business Information; Non-Competition.

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

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

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

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

5. Life Insurance. In light of the unusual abilities and experience of

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

6. Representations and Warranties.

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

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

7. Notices. All notices, consents, waivers, or other communications

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

If to NBTB:

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

Attention: Mr. Daryl R. Forsythe
Chairman, President and
Chief Executive Officer

With a required copy to:

NBT BANCORP INC. CORPORATE COUNSEL

If to Executive:

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

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

8. Assignment. Neither party may assign this Agreement or any rights

or obligations hereunder without the consent of the other party.

9. Governing Law. This Agreement shall be governed by, construed, and

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

10. Entire Agreement. This Agreement constitutes the entire

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

11. Illegality; Severability.

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

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

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

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

12. Arbitration. Subject to the right of each party to seek specific

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

13. Costs of Litigation. In the event litigation is commenced to

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

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

or Pennstar Bank according to the definition of "Affiliate" set forth in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended.

15. Headings. The section and subsection headings herein have been

inserted for convenience of reference only and shall in no way modify or
restrict any of the terms or provisions hereof.

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

NBT BANCORP INC.

By: /s/ Daryl R. Forsythe
Daryl R. Forsythe
Chairman, President and
Chief Executive Officer

DAVID E. RAVEN

/s/ David E. Raven

II-68

EMPLOYMENT AGREEMENT (REVISED)

This EMPLOYMENT AGREEMENT (the "Agreement") made and entered into this first day of May, 2001 and revised on January 1, 2002, by and between LANCE D. MATTINGLY ("Executive") and NBT BANCORP INC., a Delaware corporation having its principal office in Norwich, New York ("NBTB")

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

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

WHEREAS, NBTB DESIRES TO SECURE THE CONTINUED EMPLOYMENT OF EXECUTIVE, SUBJECT TO THE PROVISIONS OF THIS AGREEMENT; AND

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

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

1. EMPLOYMENT; RESPONSIBILITIES AND DUTIES.

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

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

2. TERM OF EMPLOYMENT.

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

(i) the second anniversary of the Commencement Date;

(ii) the death of Executive;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) any salary payable pursuant to section 3(a)(i) hereof which shall have accrued as of the Termination Date, and, for the 24 month period commencing on the date immediately following the Termination Date, salary payable at the rate established pursuant to section 3(a)(i) hereof, in a manner consistent with the normal payroll practices of NBTB with respect to executive personnel as presently in effect or as they may be modified by NBTB from time to time; and

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

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

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

(3) with regard to amounts already paid by NBTB or NBT Bank or any affiliate or successor thereof (hereinafter referred to collectively as the "Company"), the Executive shall notify the Company of all amounts received or due from the Third Party, and shall reimburse the Company in an amount equal to the amount so received or due from the Third Party up to the amount the Company paid to the Executive under (A), (B), and (C) above; and

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

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

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

(ii) SUCH RIGHTS AS EXECUTIVE SHALL HAVE ACCRUED AS OF THE TERMINATION DATE UNDER THE TERMS OF ANY PLANS OR ARRANGEMENTS IN WHICH HE PARTICIPATES PURSUANT TO SECTION 3(B) HEREOF, ANY RIGHT TO REIMBURSEMENT FOR EXPENSES ACCRUED AS OF THE TERMINATION DATE PAYABLE PURSUANT TO SECTION 3(H) HEREOF, AND THE RIGHT TO RECEIVE THE CASH EQUIVALENT OF PAID ANNUAL LEAVE AND SICK LEAVE ACCRUED AS OF THE TERMINATION DATE PURSUANT TO SECTION 3(D) HEREOF; AND

(iii) the severance payment and other benefits provided in the Change-in-Control Agreement; and

(iv) if, within eighteen (18) months following the Termination Date, Executive should sell his principal residence in the Syracuse RMA and relocate to a place outside of the Syracuse RMA, (A) reimbursement for any shortfall between the net proceeds on the sale of his

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

NOTWITHSTANDING THE FOREGOING, IN THE EVENT THE EXECUTIVE IS REIMBURSED, ENTITLED TO REIMBURSEMENT, OR IS PAID ANY AMOUNTS BY A THIRD PARTY, FOR ANY AMOUNTS FOR WHICH EXECUTIVE HAS RECEIVED, OR IS ENTITLED TO RECEIVE, REIMBURSEMENT UNDER (A) OR (B) ABOVE WITH RESPECT TO THE SALE OF HIS PRINCIPAL RESIDENCE OR ANY GROSS-UP UNDER (C) ABOVE, THE EXECUTIVE AGREES:

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

3. COMPENSATION. For the services to be performed by Executive for

NBTB and its affiliates under this Agreement, Executive shall be compensated in the following manner:

(a) Salary. During the Term of Employment:

(i) NBTB shall pay Executive a salary which, on an annual basis, shall not be less than \$197,600 during the Term of Employment. Salary shall be payable in accordance with the normal payroll practices of NBTB with respect to executive personnel as presently in effect or as they may be modified by NBTB from time to time.

(ii) Executive shall be entitled to annual salary increases of 8 percent during the Term of Employment, beginning in January of 2003 and shall be eligible to be considered for further salary increases, upon review, in accordance with the compensation policies of NBTB with respect to executive personnel as presently in effect or as they may be modified by NBTB from time to time.

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

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

IN ADDITION, EXECUTIVE WILL BE ELIGIBLE TO RECEIVE UP TO \$25,000 IN TEMPORARY LIVING EXPENSES FOR A PERIOD UP TO EIGHTEEN (18) MONTHS FROM EXECUTIVES DATE OF HIRE. PAYMENT OF SUCH EXPENSES WILL BE PROMPTLY MADE BY NBTB TO EXECUTIVE UPON APPROVAL OF SUBMITTED EXPENSE FORMS.

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

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

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

(f) WITHHOLDING. ALL COMPENSATION TO BE PAID TO EXECUTIVE HEREUNDER SHALL BE SUBJECT TO REQUIRED WITHHOLDING AND OTHER TAXES.

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

(h) Moving Expenses: NBTB agreed to reimburse Executive up to \$30,000 for moving expenses if Executive were to relocate his family from their principal residence in Franklin, TN to within the state of New York. Upon Executive's explanation of having the need to have access to such monies in advance of relocation, to satisfy personal debts, the Company, in good faith, has advanced Executive said \$30,000 grossed-up for applicable payroll taxes. In doing so, Executive agrees that if he and his family do not relocate within eighteen (18) months from the date employment commenced, Executive will repay the Company the \$30,000 (grossed-up for taxes) in its entirety. Executive also agrees to pay any necessary collection cost the Company may incur in enforcing its right of repayment of said amount.

4. CONFIDENTIAL BUSINESS INFORMATION; NON-COMPETITION.

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

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

(c) EXECUTIVE ACKNOWLEDGES AND AGREES THAT IRREPARABLE INJURY WILL RESULT TO NBTB IN THE EVENT OF A BREACH OF ANY OF THE PROVISIONS OF THIS SECTION 4 (THE "DESIGNATED PROVISIONS") AND THAT NBTB WILL HAVE NO ADEQUATE REMEDY AT LAW WITH RESPECT THERETO. ACCORDINGLY, IN THE EVENT OF A MATERIAL BREACH OF ANY DESIGNATED PROVISION, AND IN ADDITION TO ANY OTHER LEGAL OR EQUITABLE REMEDY NBTB MAY HAVE, NBTB SHALL BE ENTITLED TO THE ENTRY OF A PRELIMINARY AND PERMANENT INJUNCTION (INCLUDING, WITHOUT LIMITATION, SPECIFIC PERFORMANCE) BY A COURT OF COMPETENT JURISDICTION IN CHENANGO COUNTY, NEW YORK, OR ELSEWHERE, TO RESTRAIN THE VIOLATION OR BREACH THEREOF BY EXECUTIVE, AND EXECUTIVE SUBMITS TO THE JURISDICTION OF SUCH COURT IN ANY SUCH ACTION.

(d) IT IS THE DESIRE AND INTENT OF THE PARTIES THAT THE PROVISIONS OF THIS SECTION 4 SHALL BE ENFORCED TO THE FULLEST EXTENT PERMISSIBLE UNDER THE LAWS AND PUBLIC POLICIES APPLIED IN EACH JURISDICTION IN WHICH ENFORCEMENT IS SOUGHT. ACCORDINGLY, IF ANY PARTICULAR PROVISION OF THIS SECTION 4 SHALL BE ADJUDICATED TO BE INVALID OR UNENFORCEABLE, SUCH PROVISION SHALL BE DEEMED AMENDED TO DELETE THEREFROM THE PORTION THUS ADJUDICATED TO BE INVALID OR UNENFORCEABLE, SUCH DELETION TO APPLY ONLY WITH RESPECT TO THE OPERATION OF SUCH PROVISION IN THE PARTICULAR JURISDICTION IN WHICH SUCH ADJUDICATION IS MADE. IN ADDITION, SHOULD ANY COURT DETERMINE THAT THE PROVISIONS OF THIS SECTION 4 SHALL BE UNENFORCEABLE WITH RESPECT TO SCOPE, DURATION, OR GEOGRAPHIC AREA, SUCH COURT SHALL BE EMPOWERED TO SUBSTITUTE, TO THE EXTENT ENFORCEABLE, PROVISIONS SIMILAR HERETO OR OTHER PROVISIONS SO AS TO PROVIDE TO NBTB, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE BENEFITS INTENDED BY THIS SECTION 4.

5. LIFE INSURANCE. In light of the unusual abilities and experience of

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

6. REPRESENTATIONS AND WARRANTIES.

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

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

7. NOTICES. All notices, consents, waivers, or other communications

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

If to NBTB:

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

Attention: Mr. Daryl R. Forsythe
Chairman, President and Chief Executive Officer

With a required copy to:

NBT BANCORP INC. CORPORATE COUNSEL

If to Executive:

Mr. Lance D. Mattingly
187 Carronbridge Way
Franklin, TN 37067

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

8. ASSIGNMENT. Neither party may assign this Agreement or any rights

or obligations hereunder without the consent of the other party.

9. GOVERNING LAW. This Agreement shall be governed by, construed, and

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

10. ENTIRE AGREEMENT. This Agreement constitutes the entire

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

11. ILLEGALITY; SEVERABILITY.

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

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

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

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

12. ARBITRATION. Subject to the right of each party to seek specific

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

13. COSTS OF LITIGATION. In the event litigation is commenced to enforce

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

14. AFFILIATION. A company will be deemed to be "affiliated" with NBTB or

NBT Bank according to the definition of "Affiliate" set forth in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended.

15. HEADINGS. The section and subsection headings herein have been

inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof.

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

NBT BANCORP INC.

By: /s/ Daryl R. Forsythe
Daryl R. Forsythe, Chairman
President and Chief Executive Officer

/s/ Lance D. Mattingly
Lance D. Mattingly

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EMPLOYMENT AGREEMENT (REVISED)

This EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of October 18, 2001 and revised on January 1, 2002, by and between PETER J. CORSO ("Executive") and NBT BANCORP INC., a Delaware corporation having its principal office in Norwich, New York ("NBTB") and NBT Bank, National Association ("NBT Bank");

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

WHEREAS, the Executive is president and chief operating officer of Central National Bank, a Division of NBT Bank ("CNB");

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

WHEREAS, because of Executive's abilities and his knowledge of, and reputation in, markets where CNB conducts its business, NBTB and NBT Bank have determined that it is essential to obtain a commitment from Executive to provide consulting services to NBT Bank and not to compete against NBTB or any of its affiliates or to solicit to employ certain of their officers in accordance with the terms hereof; and

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

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

1. Employment; Responsibilities and Duties.

(a) NBT Bank hereby agrees to employ, and NBTB hereby agrees to cause NBT Bank to employ, Executive as president and chief operating officer of CNB and any successor during the Term of Employment (as hereinafter defined) and Executive hereby agrees to serve as the president and chief operating officer of CNB during the Term of Employment. Executive shall report directly to the chief executive officer of NBT Bank and indirectly to the chairman of the board of CNB and shall have such executive duties, responsibilities, and authority as determined by the chief executive officer of NBT Bank.

(b) Executive shall devote his full working time and best efforts to the performance of his responsibilities and duties hereunder. During the Term of Employment, Executive shall not, without the prior written consent of the chief executive officer of NBT Bank, render services as an employee, independent contractor, or otherwise, whether or not compensated, to any person or entity other than NBTB or its affiliates; provided that Executive may, where involvement in such activities does not individually or in the aggregate significantly interfere with the performance by Executive of his duties or violate the provisions of sections 4, 5 and 6 hereof, (i) render services to charitable organizations, (ii) manage his personal investments, and (iii) with the prior permission of the chief executive officer of NBT Bank, hold such other directorships or part-time academic appointments or have such other business affiliations as would otherwise be prohibited under this section 1.

2. Term of Employment.

(a) The term of Executive's employment under this Agreement ("Term of Employment") shall be the period commencing on November 9, 2001 (the "Commencement Date") and continuing until the Termination Date, which shall mean the earliest to occur of:

(i) the third anniversary of the Commencement Date, unless the Term of Employment shall be extended by the mutual agreement of the parties hereto;

(ii) the death of Executive;

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

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

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

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

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

(D) the breach by Executive of any representation or warranty in section 6(a) hereof or of any agreement contained in section 1, 6, or 7 hereof, which breach is material and adverse to NBTB or any of its affiliates for which Executive is assigned material responsibilities or duties;

(v) Executive's resignation from his position as president and chief operating officer of CNB for any reason; or

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

(b) In the event that the Term of Employment shall be terminated by reason of an event described in section 2(a)(i) - 2(a)(iv) hereof, Executive shall be entitled to, upon the occurrence of any such event:

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

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

(c) In the event that the Term of Employment shall be terminated by reason of an event other than an event described in section 2(a)(i) - 2(a)(iv) hereof, Executive shall be entitled to:

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

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

(iii) if the Termination Date occurs during the first year of the Term of Employment, then in consideration of Executive's past services, Executive's agreement to provide consulting services under section 4 hereof, and Executive's covenants under sections 5 and 6 hereof, Executive shall be entitled to a lump-sum cash payment equal to \$525,000;

(iv) if the Termination Date occurs during the second year of the Term of Employment, then in consideration of Executive's past services, Executive's agreement to provide consulting services under section 4 hereof, and Executive's covenants under sections 5 and 6 hereof, Executive shall be entitled to receive a lump sum cash payment equal to the sum of (A) the undiscounted remainder of his base annual compensation during the second year of the Term of Employment (assuming Executive remained employed by NBT Bank for the entirety of such second year) and (B) an undiscounted amount equal to eighteen months of additional annual base compensation at the then current rate; and

(v) if the Termination Date occurs after the second year of the Term of Employment, then in consideration of Executive's past services and his covenants under sections 5 and 6 hereof, Executive shall be entitled to receive a lump sum cash payment equal to the undiscounted amount of Executive's annual base compensation (at the rate in effect immediately prior to the Termination Date) that would have been payable to Executive assuming Executive remained employed by NBT Bank for the greater of (i) one year after the Termination Date or (ii) the date after the third anniversary of the Commencement Date, if any, agreed to by the parties hereto.

(d) In the event that the employment of Executive with NBT Bank is terminated in any situation described in section 3 of the change-in-control letter agreement dated as of OCTOBER 18, 2001 between NBTB and Executive (the "Change-in-Control Agreement") so as to entitle Executive to a severance payment and other benefits described in section 3 of the Change-In-Control Agreement, then notwithstanding the provisions of section 2 (c) hereof, Executive shall be entitled to the following, and no more, under this section 2:

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

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

(iii) the severance payment and other benefits provided in the Change-in-Control Agreement.

Notwithstanding the foregoing provisions of this section 2(d), the Executive may at any time prior to the payment of any severance or other benefits under section 3 of the Change-In-Control Agreement elect in writing to waive his rights under the Change-in-Control Agreement, in which case this Agreement shall apply to Executive without regard to the foregoing provisions of this section 2(d). In the event that Executive becomes entitled to the severance and other benefits under section 3 of the Change-in-Control Agreement, NBTB shall promptly (and in all events within three business days) notify Executive in writing of Executive's right to waive his rights under the Change-in-Control Agreement and, unless otherwise directed by the Executive in writing, no severance payments or other benefits under section 3 of the Change in Control Agreement shall be paid to Executive until ten business days after the providing of written notice by NBTB to Executive. If Executive does not waive his rights under the Change-in-Control Agreement and receives severance or other benefits under section 3 of the Change-in-Control Agreement, sections 4 and 5 of this Agreement shall cease to apply and Executive shall have no obligation thereunder.

3. Compensation. For the services to be performed by Executive

for NBT Bank under this Agreement, Executive shall be compensated in the following manner:

(a) Salary. During the Term of Employment:

(i) NBT Bank shall pay Executive a salary, which, on an annual basis, shall not be less than \$175,000 during the Term of Employment. Salary shall be payable in accordance with the normal payroll practices of NBTB with respect to executive personnel as presently in effect or as they may be modified by NBTB from time to time.

(ii) Executive shall be entitled to minimum annual salary increases of 7 percent during the Term of Employment, beginning in January of 2003, and in addition, if the term of this agreement is extended as per Section 2(a)(i), shall be eligible to be considered for further salary increases, upon review, in accordance with the compensation policies of NBTB with respect to executive personnel as presently in effect or as they may be modified by NBTB from time to time.

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

(b) Employee Benefit Plans or Arrangements. During the Term of

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

(i) Stock Options. Each January or February annually during the

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

(ii) Vacation and Sick Leave. During the Term of Employment,

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

(iii) Automobile. During the Term of Employment, Executive shall

be entitled to the use of an automobile (whose value shall not exceed \$40,000), owned by NBTB or an affiliate of NBTB, the make, model and year of which automobile shall be appropriate to an officer of Executive's rank, and which will be replaced every three years (or earlier if the accumulated mileage exceeds 50,000 miles) with a new automobile whose value shall not exceed the sum of \$40,000 escalated by an amount calculated by the controller's division of NBTB to adjust for the effect of inflation upon the \$40,000 (an "Inflation Adjustment"). Executive shall be responsible for all expenses of ownership and use of such automobile, subject to reimbursement of expenses for business use in accordance with section 3(b)(vi).

(iv) Country Club Dues. During the Term of Employment, Executive

shall be reimbursed for dues and assessments incurred in relation to Executive's membership at a country club mutually agreed upon by Executive and the chief executive officer of NBT Bank.

(v) Withholding. All compensation to be paid to Executive

hereunder shall be subject to required withholding and other taxes.

(vi) Expenses. During the Term of Employment, Executive shall

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

4. Consulting Services

(a) In the event that Executive's employment terminates hereunder during the first two years of the Term of Employment and Executive becomes entitled to a payment under either section 2(c)(iii) or 2(c)(iv) hereof, Executive shall, during the Consulting Period (as hereinafter defined), be available to render such consulting services to NBTB or NBT Bank as they may reasonably request of Executive from time-to-time relating to their business and operations. The services requested of Executive by NBTB and NBT Bank during the Consulting Period shall be scheduled in consultation with Executive and shall be of a scope so as to not materially interfere with Executive's engaging in full-time employment after the Employment Term. NBTB or NBT Bank shall promptly reimburse Executive for all expenses incurred by Executive in the performance of Executive's consulting duties, including travel and subsistence expenses, recognizing that Executive's home may not be in the geographic area where NBTB and NBT Bank conduct business. Executive shall perform his duties under this section 4(a) as an independent contractor to NBTB and NBT Bank.

(b) For purposes of this Agreement, the term "Consulting Period" shall mean (i) if Executive's employment terminates hereunder during the first year of the Employment Term and Executive becomes entitled to the payment described in section 2(c)(iii) hereof, the period beginning on the date of Executive's termination of employment with NBT Bank and ending on the second anniversary of such termination of employment, and (ii) if Executive's employment terminates hereunder during the second year of the Employment Term and Executive becomes entitled to the payment described in section 2(c)(iv) hereof, the period beginning on the date of Executive's termination of employment with NBT Bank and ending on the second anniversary of the Merger.

(c) In consideration for Executive's covenants under this section 4 and under sections 5 and 6 hereof, NBTB or NBT Bank shall, in addition to any lump sum payment provided for by Section 2(c)(iii) and 2(c)(iv), as applicable, provide to Executive for a three year period following the date of Executive's termination of employment with NBT Bank, at no cost to Executive, life insurance and health insurance (collectively, "Welfare Benefits") that are not less favorable in all respects to those that Executive was receiving immediately prior to the Termination Date; provided, however, that the medical coverage provided shall be family medical coverage that also covers Executive's spouse and any dependents. Executive will be entitled to elect to change his level of coverage and/or his choice of coverage options with respect to the Welfare Benefits provided by NBTB or NBT Bank to Executive to the same extent that actively employed senior executives of NBTB and NBT Bank are permitted to make such changes.

5. Covenant Not to Compete.

(a) The parties acknowledge: (i) that as a result of the Merger, NBT Bank and NBTB will be engaged in the business of banking in those markets where CNB currently conducts its banking business; (ii) that Executive has developed special expertise and a recognized reputation in CNB's markets and business; and (iii) that if Executive were to undertake efforts in competition with NBT Bank and NBTB in CNB's current market areas or solicit for employment officers of CNB the result would be substantial and irreparable damage to NBT Bank and NBTB.

(b) During the Restricted Period, Executive shall not solicit any business (other than business in an area outside of twenty miles in which NBTB or any of its subsidiaries is competitively engaged), customers or prospective customers of NBTB or any of its subsidiaries whom Executive has served or solicited during the course of his employment by CNB.

(c) During the Restricted Period, Executive shall not, directly or indirectly, either for Executive's own benefit or purpose or for the benefit or purpose of any person or entity other than NBTB or any of its subsidiaries, employ or offer to employ, call on, or actively interfere with NBTB's or any of its subsidiaries' relationship with, or attempt to divert or entice away, any officer of NBTB or any of its subsidiaries who was an officer of CNB or any of its subsidiaries immediately prior to the Merger.

(d) The term "Restricted Period" shall mean (a) if there is a Consulting Period, the period beginning on the first day of the Consulting Period and ending on the first anniversary of the last day of the Consulting Period, and (b) if there is no Consulting Period, the period beginning on Executive's Termination Date and ending on the date that is six months after such Termination Date.

(e) The parties hereto agree that the amount of the lump-sum payment paid to Executive pursuant to Section 2(c)(ii), (c)(iii), or (c)(iv), as applicable, that is allocable to services or consideration provided by Executive other than pursuant to Sections 4, 5 and 6 hereof is less than \$135,000.

6. Confidential Business Information; Non-Competition.

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

(b) Executive acknowledges and agrees that irreparable injury will result to NBTB and its affiliates in the event of a breach of any of the provisions of section 5 hereof or this section 6 (the "Designated Provisions") and that NBTB will have no adequate remedy at law with respect thereto. Accordingly, in the event of a material breach of any Designated Provision, and in addition to any other legal or equitable remedy NBTB may have, NBTB shall be entitled to the entry of a preliminary and permanent injunction (including, without limitation, specific performance) by a court of competent jurisdiction in Chenango County, New York, to restrain the violation or breach thereof by Executive, and Executive submits to the jurisdiction of such court in any such action.

(c) It is the desire and intent of the parties that the provisions of section 5 hereof and this section 6 shall be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular provision of section 5 hereof or this section 6 shall be adjudicated to be invalid or unenforceable, such provision shall be deemed amended to delete therefrom the portion thus adjudicated to be invalid or unenforceable, such deletion to apply only with respect to the operation of such provision in the particular jurisdiction in which such adjudication is made. In addition, should any court determine that the provisions of section 5 hereof or this section 6 shall be unenforceable with respect to scope, duration, or geographic area, such court shall be empowered to substitute, to the extent enforceable, provisions similar hereto or other provisions so as to provide to NBTB, to the fullest extent permitted by applicable law, the benefits intended by section 5 hereof and this section 6.

7. Life Insurance. In light of the unusual abilities and experience of

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

8. Representations and Warranties.

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

(b) Executive shall indemnify, defend, and hold harmless NBTB for, from, and against any and all losses, claims, suits, damages, expenses, or liabilities, including court costs and counsel fees, which NBTB has incurred or to which NBTB may become subject insofar as such losses, claims, suits, damages, expenses, liabilities, costs, or fees arise out of or are based upon any failure of any representation or warranty of Executive in section 7(a) hereof to be true and correct when made.

9. Notices. All notices, consents, waivers, or other communications

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

If to NBTB or NBT Bank:

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

Attention: Mr. Daryl R. Forsythe
Chairman, President and
Chief Executive Officer

With a required copy, in the case of a notice to NBT Bancorp Inc. or NBT Bank, to:

NBT Bancorp Inc. Corporate Counsel

If to Executive:

Mr. Peter J. Corso
11 Kingsbury Ave.
St. Johnsville, NY 13452

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

10. Assignment. Neither party may assign this Agreement or any rights

or obligations hereunder without the consent of the other party.

11. Governing Law. This Agreement shall be governed by, construed, and

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

12. Entire Agreement. This Agreement constitutes the entire

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

13. Illegality; Severability.

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

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

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

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

14. Arbitration. Subject to the right of each party hereto to seek

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

15. Certain Expenses. NBTB shall pay to Executive all legal fees and

expenses (but not taxes, penalties or interest on taxes or penalties) incurred by Executive (a) in seeking to obtain or enforce any provision of this Agreement or (b) in connection with any tax audit or proceeding to the extent attributable to the application of section 4999 of the Code to any payment or benefit provided hereunder or under other plans and programs of CNB, NBTB or any of their affiliates. Such payments shall be made within five (5) business days after delivery of Executive's written requests for payment accompanied with such evidence of fees and expenses incurred as NBTB reasonably may require.

16. Consent to Retirement Annuity Contribution. NBTB hereby consents,

for purposes of the Merger Agreement, to CNB taking all necessary and appropriate actions prior to the Merger to (i) cause an aggregate of \$25,000 to be contributed to one or both of the annuity contracts (as specified by Executive) held under the Supplemental Retirement Annuity Agreement (the "SRAA") between Executive and CNB, dated May 15, 2000, (ii) cause the transfer of such annuity contracts to a "rabbi trust," the terms of which shall provide for the payment of benefits to Executive and his beneficiaries in accordance with the terms of the SRAA, and (iii) amend the SRAA as necessary or appropriate to reflect such actions.

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

or CNB according to the definition of "Affiliate" set forth in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended.

18. Headings. The section and subsection headings herein have been

inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof.

19. Termination. This Agreement shall terminate in the event that the

Merger Agreement terminates in accordance with Section 12 thereof.

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

NBT BANCORP INC.

By:

Daryl R. Forsythe
Chairman, President and
Chief Executive Officer

NBT BANK, NATIONAL ASSOCIATION

By: /s/ Daryl R. Forsythe

Daryl R. Forsythe
Chairman and Chief Executive Officer

PETER J. CORSO

/s/ Peter J. Corso

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January 28, 2002

MR. THOMAS R. DELDUCHETTO
8321 White Cedar Circle

Liverpool, NY 13090

Dear Mr. Delduchetto:

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

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

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

In order to induce you to remain in the employ of the Company, this Agreement, which has been approved by the Board, sets forth the severance compensation which the Company agrees will be provided to you in the event your employment with the Company is terminated subsequent to a "change in control" or the Company under the circumstances described below.

1. Agreement to Provide Services; Right to Terminate.

(a) Termination Prior to Certain Offers. Except as otherwise

provided in paragraph (b) below, or in any written employment agreement between you and the Company, the Company or you may terminate your employment at any time. If, and only if, such termination occurs after a "change in control of the Company" (as defined in section 6), the provisions of this Agreement regarding the payment of severance compensation and benefits shall apply.

(b) Termination Subsequent to Certain Offers. In the event a

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

2. Term of Agreement. This Agreement shall commence on the date

hereof and shall continue in effect until December 31, 2003; provided, however, that commencing December 31, 2001 and each December 31 thereafter, the remaining term of this Agreement shall automatically be extended for one additional year (to a total of three years) unless at least 90 days prior to such anniversary, the Company or you shall have given notice that this Agreement shall not be

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extended; and provided, however, that if a change in control of the Company shall occur while this Agreement is in effect, this Agreement shall automatically be extended for 24 months from the date the change in control of the Company occurs. This Agreement shall terminate if you or the Company terminates your employment prior to a change in control of the Company but without prejudice to any remedy the Company may have for breach of your obligations, if any, under section 1(b).

3. Severance Payment and Benefits If Termination Occurs Following

Change in Control for Disability, Without Cause, With Good Reason or Without

Good Reason within 12 Months of the Change. If, (I) within 24 months from the

date of occurrence of any event constituting a change in control of the Company (it being recognized that more than one such event may occur in which case the 24-month period shall run from the date of occurrence of each such event), your employment with the Company is terminated (i) by the Company for Disability, (ii) by the Company without Cause, or (iii) by you with Good Reason (as defined in section 6), or (II) within 12 months from the date of occurrence of any event constituting a change in control of the Company (it being recognized that more than one such event may occur in which case the 12-month period shall run from the date of occurrence of each such event) you terminate your employment either with or without Good Reason, you shall be entitled to a severance payment and other benefits as follows:

(a) Disability. If your employment with the Company is

terminated for Disability, your benefits shall thereafter be determined in accordance with the Company's long-term disability income insurance plan. If the Company's long-term disability income insurance plan is modified or terminated following a change in control, the Company shall substitute such a plan with benefits applicable to you substantially similar to those provided by such plan prior to its modification or termination. During any period that you fail to perform your duties hereunder as a result of incapacity due to physical or mental illness, you shall continue to receive your full base salary at the rate then in effect until your employment is terminated by the Company for Disability.

(b) Termination Without Cause or With Good Reason or Within 12

Months of Change in Control. If your employment with the Company is terminated

without Cause by the Company or with Good Reason by you, or by you within 12 months of a change in control of the Company without Good Reason, then the Company shall pay to you, upon demand, the following amounts (net of applicable payroll taxes):

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

(ii) As severance pay, an amount equal to the product of 2.99 multiplied by the greater of (A) the sum of your annualized salary for the calendar year in which the change in control of the Company occurs, the maximum target bonus that could have been paid to you for such year if all applicable targets and objectives had been achieved, or if no formal bonus program is in effect, the largest bonus amount paid to you during any one of the three preceding calendar years, your income from the exercise of nonqualified options during such year, your compensation income from any disqualifying disposition during such year of stock acquired pursuant to the exercise of incentive stock options and other annualized amounts that constitute taxable income to you from the Company for such year, without reduction for salary reduction amounts excludible from income under Section 402(e)(3) or 125 of the Internal Revenue Code of 1986, as amended (the "Code"), or (B) your average "Compensation" (as defined below) for the three calendar years preceding the calendar year in which the change in control of the Company occurs. As used in this subsection 3(b)(ii) your "Compensation" shall mean your base salary, bonus, income from the exercise of nonqualified options, compensation income from any disqualifying disposition of stock acquired pursuant to the exercise of incentive stock options and any other amounts that constitute taxable income to you from the Company, without reduction for salary reduction amounts excludible from income under Section 402(e)(3) or 125 of the Code.

(c) Related Benefits. Unless you die or your employment is

terminated by the Company for Cause or Disability, or by you other than for Good Reason and not within 12 months after a change in control of the Company, (i) the Company shall maintain in full force and effect, for your continued benefit and, if applicable, for the continued benefit of your spouse and family, for three years after the Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, all noncash employee benefit plans, programs, or arrangements (including, without limitation, pension and retirement plans and arrangements, stock option plans, life insurance and health and accident plans and arrangements, medical insurance plans, disability plans, and vacation plans) in which you were entitled to participate immediately prior

to the Date of Termination, as in effect at the Date of Termination, or, if more favorable to you and, if applicable, your spouse and family, as in effect generally at any time thereafter with respect to executive employees of the Company or any successor; provided that your continued participation is possible after Termination under the general terms and provisions of such plans, programs, and arrangements; provided, however, that if you become eligible to participate in a benefit plan, program, or arrangement of another employer which confers substantially similar benefits upon you, you shall cease to receive benefits under this subsection in respect of such plan, program, or arrangement, and (ii) your benefit under any supplemental retirement agreement or supplemental retirement plan maintained by the Company in which you are a participant shall be fully vested upon such termination of your employment, and your benefit under such agreement or plan shall be determined as if you had continued to be employed by the Company for three additional years (or the period after which the maximum benefit payable is attained, if less) and if your annual compensation for purposes of such agreement or plan during such period of additional employment had been equal to the amount specified in Section 3(b)(ii)(A) or (B), whichever is higher. In the event that your participation in any such plan, program, or arrangement is not possible after Termination under the general terms and provisions of such plans, programs, and arrangements, the Company shall arrange to provide you with benefits substantially similar to those which you are entitled to receive under such plans, programs and arrangements or alternatively, pay an amount equal to the reasonable value of such substantially similar benefits. If, after termination of employment following a change in control of the Company, you elect or, if applicable, your spouse or family elects, COBRA continuation coverage, the Company will pay the applicable COBRA premium for the maximum period during which such coverage is available. If termination follows a change in control of the Company specified in Section 6(b)(iii), then you and, if applicable, your spouse and family may elect in lieu of COBRA continuation coverage to have the acquiring entity obtain an individual or group health insurance coverage and the acquiring entity will pay premiums thereunder for the maximum period during which you and, if applicable, your spouse and family could have elected to receive COBRA continuation coverage.

(d) Establishment of Trust. Within five days following

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

(e) Automatic Extension. Notwithstanding the prior provisions of

this Section, if an individual is elected to the Board of Directors who has not been nominated by the Board of Directors as constituted prior to his election, then the term of this Agreement will automatically be extended until two years from the date on which such individual was elected if such extended termination date is later than the normal termination date of this Agreement, otherwise, the termination date of this Agreement will be as provided above. This extension will take effect only upon the first instance of an individual being elected to the Board of Directors without having been nominated by the original Board.

(f) Alternative to Lump Sum Payout. The amount described in this

subsection will be paid to you in a single lump-sum unless, at least 30 days before the conclusion of a change in control of the Company, you elect in writing to receive the severance pay in 3 equal annual payments with the first payment to be made within 30 days of demand and the subsequent payments to be made by January 31st of each year subsequent to the year in which the first payment is made, provided that under no circumstances will two payments be made during a single tax year of the recipient.

4. Payment If Termination Occurs Following Change in Control, Because

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

5. No Mitigation. You shall not be required to mitigate the amount of

any payment provided for in this Agreement by seeking other employment or otherwise, nor, except as expressly set forth herein, shall the amount of any payment provided for in this Agreement be reduced by any compensation earned by you as the result of employment by another employer after the Date of Termination, or otherwise.

6. Definitions of Certain Terms. For the purpose of this Agreement,

the terms defined in this section 6 shall have the meanings assigned to them herein.

(a) Cause. Termination of your employment by the Company for

"Cause" shall mean termination because, and only because, you committed an act of fraud, embezzlement, or theft constituting a felony or an act intentionally against the interests of the Company which causes the Company material injury. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for the purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct constituting Cause as defined above and specifying the particulars thereof in detail.

(b) Change in Control of the Company. A "change in control of

the Company" shall mean:

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

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

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

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

(c) Date of Termination. "Date of Termination" shall mean (i) if

your employment is terminated by the Company for Disability, 30 days after Notice of Termination is given (provided that you shall not have returned to the performance of your duties on a full-time basis during such 30-day period), and (ii) if your employment is terminated for any other reason, the date on which a Notice of Termination is given; provided that if within 30 days after any Notice of Termination is given the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the termination, the Date of Termination shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties or by a final judgment, order, or decree of a court of competent jurisdiction (the time for appeal therefrom having expired and no appeal having been perfected). The term of this Agreement shall be extended until the Date of Termination.

(d) Disability. Termination of your employment by the Company

for "Disability" shall mean termination because of your absence from your duties with the Company on a full-time basis for 180 consecutive days as a result of your incapacity due to physical or mental illness and your failure to return to the performance of your duties on a full-time basis during the 30-day period after Notice of Termination is given.

(e) Good Reason. Termination by you of your employment for "Good

Reason" shall mean termination based on any of the following:

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

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

(iii) The failure by the Company to continue in effect any Plan (as hereinafter defined) in which you are participating at the time of the change in control of the Company (or Plans providing you with at least substantially similar benefits) other than as a result of the normal expiration of any such Plan in accordance with its terms as in effect at the time of the change in control of the Company, or the taking of any action, or the failure to act, by the Company which would adversely affect your continued participation in any of such Plans on at least as favorable a basis to you as is the case on the date of the change in control of the Company or which would materially reduce your benefits in the future under any of such Plans or deprive you of any material benefit enjoyed by you at the time of the change in control of the Company.

(iv) The failure by the Company to provide and credit you with the number of paid vacation days to which you are then entitled in accordance with the Company's normal vacation policy as in effect immediately prior to the change in control of the Company.

(v) The Company's requiring you to be based anywhere other than where your office is located immediately prior to the change in control of the Company except for required travel on the Company's business to an extent substantially consistent with the business travel obligations which you undertook on behalf of the Company prior to the change in control of the Company.

(vi) The failure by the Company to obtain from any successor the assent to this Agreement contemplated by section 8 hereof.

(vii) Any purported termination by the Company of your employment which is not effected pursuant to a Notice of Termination satisfying the requirements of this Agreement; and for purposes of this Agreement, no such purported termination shall be effective.

(viii) Any refusal by the Company to continue to allow you to attend to matters or engage in activities not directly related to the business of the Company which, prior to the change in control of the Company, you were permitted by the Board to attend to or engage in.

For purposes of this subsection, "Plan" shall mean any compensation plan such as an incentive or stock option plan or any employee benefit plan such as a thrift, pension, profit sharing, medical, disability, accident, life insurance plan, or a relocation plan or policy or any other plan, program, or policy of the Company intended to benefit employees.

(f) Notice of Termination. A "Notice of Termination" of your employment given by the Company shall mean a written notice given to you of the termination of your employment which shall indicate the specific termination provision in this Agreement relied upon, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

(g) Person. The term "Person" shall mean and include any individual, corporation, partnership, group, association, or other "person," as such term is used in section 14(d) of the Exchange Act, other than the Company or any employee benefit plan(s) sponsored by the Company.

7. Notice. For the purposes of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Chief Executive Officer of the Company with a copy to the Secretary of the Company, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

8. Successors; Binding Agreement.

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

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

9. Increased Severance Payments Upon Application of Excise Tax.

(a) Adjustment of Payment. In the event any payments or benefits you become entitled to pursuant to the Agreement or any other payments or benefits received or to be received by you in connection with a change in control or your termination of employment (whether pursuant to the terms of any other agreement, plan, or arrangement, or otherwise, with the Company, any person whose actions result in a change in control or any person affiliated with the Company or such person) (collectively the "Severance Payments") will be subject to the tax (the "Excise Tax") imposed by section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), the Company shall pay you an additional amount (the "Gross-Up Payment") so that the net amount retained by you, after deduction of the Excise Tax (but before deduction for any federal, state or local income tax) on the Severance Payments and after deduction for the aggregate of any federal, state, or local income tax and Excise Tax upon the Gross-Up Payment, shall be equal to the Severance Payments. For purposes of determining whether any of the Severance Payments will be subject to the Excise Tax and the amount of such Excise Tax, (i) the entire amount of the Severance Payments shall be treated as "parachute payments" within the meaning of section 280G(b)(2) of the Code and as subject to the Excise Tax, unless and to the extent, in the written opinion of outside tax counsel selected by the Company's independent accountants and reasonably acceptable to you, such payments (in whole or in part) are not subject to the Excise Tax; and (ii) the value of any noncash benefits or any deferred payment or benefit (constituting a part of the Severance Payments) shall be determined by the Company's independent auditors in accordance with the principles of sections 280G(d)(3) and (4) of the Code. For purposes of determining the amount of the Gross-Up Payment, you shall be deemed to pay federal income taxes at the highest marginal rate of the federal income taxation applicable to individuals (without taking into account surtaxes or loss or reduction of deductions) for the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rates of taxation in the state and locality of your residence on the date of Termination. In the event that the amount of Excise Tax you are required to pay is subsequently determined to be less than the amount taken into account hereunder, you shall repay to the Company promptly after the time that the amount of such reduction in Excise Tax is finally determined the amount of the reduction, together with interest on the amount of such reduction at the rate of 6 percent per annum from the date of the Gross-Up Payment, plus, if in the written opinion of outside tax counsel selected by the Company's independent accountants and reasonably acceptable to you, such payment (or a portion thereof) was not taxable income to you when reported or is deductible by you for federal income tax purposes, the net federal income tax benefit you actually realize as a result of making such payment pursuant to this sentence. In the event that the amount of Excise Tax you are required to pay is subsequently determined to exceed the amount taken into account hereunder, the Company shall make an additional Gross-Up Payment in the manner set forth above in respect of such excess (plus any interest, additions to tax, or penalties payable by you with respect to such excess) promptly after the time that the amount can be reasonably determined.

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

due, such excess shall constitute a loan by the Company to you, payable on the fifth day after demand by the Company (together with interest at the rate of 6 percent per annum).

10. Miscellaneous. No provision of this Agreement may be modified,

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

11. Legal Fees and Expenses. The Company shall pay or reimburse any

reasonable legal fees and expenses you may incur in connection with any legal action to enforce your rights under, or to defend the validity of, this Agreement. The Company will pay or reimburse such legal fees and expenses on a regular, periodic basis upon presentation by you of a statement or statements prepared by your counsel in accordance with its usual practices.

12. Validity. The invalidity or unenforceability of any provision of

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

13. Payments During Controversy. Notwithstanding the pendency of any

dispute or controversy, the Company will continue to pay you your full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, base salary and installments of incentive compensation) and continue you as a participant in all compensation, benefit, and insurance plans in which you were participating when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with section 7(c). Amounts paid under this section are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement. You shall be entitled to seek specific performance of your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

14. Illegality. Anything in this Agreement to the contrary

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

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

Very truly yours,

NBT BANCORP INC.

BY: /s/ DARYL R. FORSYTHE

AGREED TO:

/s/ Thomas R. Delduchetto
Thomas R. Delduchetto

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EXHIBIT 21

List of Subsidiaries of the Registrant

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SUBSIDIARIES OF THE REGISTRANT

NBT BANCORP INC. has the following subsidiaries, which are wholly owned:

NBT Bank, National Association
52 South Broad Street
Norwich, New York 13815
Telephone: (607) 337-2265
E.I.N. 15-0395735

NBT Financial Services, Inc.
52 South Broad Street
Norwich, New York 13815
Telephone: (607) 337-2265
E.I.N. 16-1576562

CNBF Capital Trust 1
24 Church Street
Canajoharie, New York 13317
Telephone: (518) 673-3243
E.I.N. 14-1249234

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Consent of KPMG LLP

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
NBT Bancorp Inc.:

We consent to incorporation by reference in the registration statements on Forms S-3 (File Nos. 33-12247 and 333-40192) and Forms S-8 (File Nos. 333-67615, 333-71830, 333-32842, 333-44714, 333-72772, 333-73038, and 333-66472) of NBT Bancorp Inc. of our report dated January 28, 2002, relating to the consolidated balance sheets of NBT Bancorp Inc. and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, stockholders' equity, cash flows and comprehensive income for each of the years in the three-year period ended December 31, 2001, which report appears in the December 31, 2001 annual report on Form 10-K.

KPMG LLP

Albany, New York
March 27, 2002