NBT BANCORP INC
Form 8-K
March 25, 2009

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) March 24, 2009

NBT BANCORP INC.
(Exact name of registrant as specified in its charter)

Delaware	0-14703	16-1268674
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

52 South Broad Street, Norwich, New York	13815
(Address of principal executive offices)	(Zip Code)

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

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:
o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01 Other Events.

The following information is intended to be responsive to the requirements of Part III of Form 10-K, as applicable to NBT Bancorp Inc.'s (the "Company" or "NBT") fiscal year ended December 31, 2008. This information is intended to supplement the information currently provided in Part III of the Company's Annual Report on Form 10-K for the year ended December 31, 2008, filed with the Securities and Exchange Commission (the "SEC") on March 2, 2009. The Company intends to include this additional information in substantially the same form in the definitive proxy statement for its 2009 annual meeting of stockholders to be filed pursuant to Regulation 14A. Such filing with the SEC will be made within the time prescribed for incorporation by reference of such information into the Company's Annual Report on Form 10-K. This information is being provided in connection with the filing of the Company's registration statement on Form S-3 on the date hereof.

DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Board of Directors and Executive Officers

At the annual meeting, four directors will be elected to serve a three year term until each such director's successor is elected and qualified or until the director's earlier death, resignation or removal. The Board currently consists of eleven members and is divided into three classes. The term of only one class of directors expires in each year, and their successors are elected for terms of up to three years and until their successors are elected and qualified. Messrs. Dietrich, Mitchell, Nasser and Murphy, whose terms expire at the 2009 annual meeting, have been nominated to stand for re-election at the 2009 annual meeting for terms expiring in 2012.

The following table contains stock ownership and other information on the nominees for election for the terms as shown, our directors and our non-director executive officers:

Name	Age at 12/31/08	Principal Occupation During Past Five Years and Other Directorships	Director Since	Number of Common Shares Beneficially Owned on 12/31/08	Percent of Shares Outstanding
Nominees with terms expiring in 2012:					
Martin A. Dietrich	53	CEO of NBT since January 2006;	2005	41,192(1)	
		President of NBT since January 2004;		848(1) (a)	
		President and CEO of NBT Bank since		24,352(1) (b)	
		January 2004; President and Chief Operating		10,953(2)	
		Officer of NBT Bank from September 1999		158,844(4)	
		to December 2003		6,000(c)	
		Directorships:		755(g)	
				242,944	*

		Preferred Mutual Insurance Company			
		Chenango Memorial Hospital Board of Trustees			
		United Health Services			
		Independent Bankers Association of New York			
		Pennstar Bank since 2004			
		NBT Bank since 2001			
John C. Mitchell	58	Consultant, Blue Seal Feeds Inc.	1994	27,301(1) (e)	
		President and CEO of I.L. Richer Co. (agri. business)		3,097(2)	
		from 1979 to 2008		8,287(3)	
		Directorships:		38,685	*
		Preferred Mutual Insurance Company			
		NY Agridevelopment Corporation			
		Delaware Otsego Corporation			
		NBT Bank since 1993			

Joseph G. Nasser	51	Accountant, Nasser & Co.	2000	43,162(1) (f)	
		Directorships:		415(1) (a)	
		Pennstar Bank since 1999		11,449(2)	
				1,230(3)	
				56,256	*
Michael M. Murphy	47	President & Owner, Red Line Towing Inc.	2002	8,539(1)	
		Directorships:		50(2)	
		Pennstar Bank since 1999		3,630(3)	
				12,219	*
Continuing Directors with terms expiring in 2011:					
Richard Chojnowski	66	Electrical contractor (sole proprietorship)	2000	7,613(1)	
		Directorships:		264,353(2)	
		Pennstar Bank since 1994		9,330(3)	
				281,296	*
Joseph A. Santangelo	56	President and CEO – Arkell Hall Foundation Inc.	2001	9,477(1) (f)	
		Directorships:		4,808(2)	
		NBT Bank since 1991		8,080(3)	
				22,365	*
Continuing Directors with terms expiring in 2010:					
Daryl R. Forsythe	65	Chairman of NBT since January 2004;	1992	118,260(1) (f)	
		Chairman of NBT Bank since January 2004;		1,842(1) (a)	
		Chairman and CEO of NBT from January 2004 to		9,369(2)	
		December 2005; Chairman, President and CEO of NBT		5,000(3)	
		From April 2001 to December 2003; Chairman and		134,471	*
		CEO of NBT Bank from September 1999 to			
		December 2003; President and CEO of NBT and			
		NBT Bank from January 1995 to April 2001 and			
		September 1999, respectively			
		Directorships:			
		Security Mutual Life Ins. Co. of NY			

		New York Central Mutual Fire Insurance Co.			
		New York Business Development Corp.			
		NBT Bank since 1988			
William C. Gumble	71	Retired attorney-at-law; County Solicitor and	2000	96,607(1)	
		District Attorney of Pike County, PA		9,288(3)	
		Directorships:		105,895	*
		Pennstar Bank since 1985			
William L. Owens	59	Partner, law firm of Stafford, Owens, Piller, Murnane &	1999	13,696(1)	
		Trombley, PLLC		6,487(3)	
		Directorships:		20,183	*
		Mediquest, Inc.			
		Champlain Valley Health Network Inc.			
		NBT Bank since 1995			
Patricia T. Civil	59	Retired Managing Partner, PricewaterhouseCoopers LLP	2003	7,594(1)	
		Directorships:		5,830(3)	
		Unity Mutual Life Insurance Company		13,424	*
		SRC Inc.			
		Anaren Inc.			
		NBT Bank since 2003			

Robert A. Wadsworth	60	Chairman of Preferred Mutual Insurance Co.	2006	3,999(1)		
		CEO of Preferred Mutual Insurance Co. from 1997 to 2008		1,318(3)		
		Directorships:		164,041(d)		
		Preferred Mutual Insurance Company		169,358		*
		Preferred Services Corp.				
		Preferred of New York Inc.				
		Excess Reinsurance Company				
		Guilderland Reinsurance Company				
		NBT Bank since 2005				

Executive Officers of NBT Bancorp Inc. other than Directors who are Officers:

Name	Age	Present Position and Principal Position During Past Five Years	Number of Common Shares Beneficially Owned on 12/31/08		Percent of Shares Outstanding
Michael J. Chewens	47	Senior Executive Vice President, Chief Financial Officer	14,225(1)		
		of NBT and NBT Bank since January 2002; EVP, CFO	15,558(1)	(b)	
		of same 1999-2001; Secretary of NBT and NBT Bank	55,022(4)		
		since December 2000	84,805		*
David E. Raven	46	President of Retail Banking of NBT Bank since July 2006;	19,034(1)	(f)	
		President and Chief Executive Officer of Pennstar Bank	15,921(1)	(b)	
		Division since August 2005; President and Chief	66,320(4)		
		Operating Officer of Pennstar Bank Division from	101,275		*
		August 2000 to August 2005; Sales and Administration,			

		September 1999 – August 2000		
Jeffrey M. Levy	47	Executive Vice President, President of Commercial Banking of NBT Bank since December 2006; Capital Region President since August 2005; Manager New York State Government Banking at M & T Bank, January 2004 – August 2005; President of the Capital District, Commercial Banking at M & T Bank, January 2001 – December 2003	7,550(1) 1,915(1) (b) 28,400(4) 37,865	*

As of December 31, 2008, all directors and executive officers listed above as a group beneficially owned 1,321,041 or 4.05 % of total shares outstanding as of December 31, 2008, including shares owned by spouses, certain relatives and trusts, as to which beneficial ownership may be disclaimed, and options exercisable within sixty days of December 31, 2008.

NOTES:

(a) The information under this caption regarding ownership of securities is based upon statements by the individual nominees, directors, and officers and includes shares held in the names of spouses, certain relatives and trusts as to which beneficial ownership may be disclaimed. These indirectly held shares total 3,105 for the spouses, minor children and trusts.

(b) In the case of officers and officers who are directors, shares of our stock held in NBT Bancorp Inc. 401(k) and Employee Stock Ownership Plan as of December 31, 2008 totaling 57,746 are included.

(c) Martin A. Dietrich is a named beneficiary of his mother's estate, which includes 6,000 shares.

(d) Preferred Mutual Insurance Company, of which Robert A. Wadsworth serves as Chairman and CEO, owns 164,041 shares.

(e) Does not include 5,000 shares owned by The Adelbert L. Button Charitable Foundation, for which Mr. Mitchell serves as a trustee, but in which all investment and disposition discretion over the shares has been granted to NBT Bank, N.A., as trustee.

(f) Includes shares pledged as security for an obligation, such as pursuant to a loan arrangement or agreement or margin account agreement for the following directors and officers: Daryl R. Forsythe 75,000 shares; Joseph G. Nasser 2,800 shares; Joseph A. Santangelo 7,544 shares; and David E. Raven 5,000 shares.

(g) Martin A. Dietrich is the custodian for a minor.

(1) Sole voting and investment authority.

(2) Shared voting and investment authority.

(3) Shares under option from the NBT 2001 Non-Employee Director, Divisional Director and Subsidiary Director Stock Option Plan, which are exercisable within sixty days of December 31, 2008.

(4) Shares under option from the NBT 1993 Stock Option Plan, which are exercisable within sixty days of December 31, 2008.

(*) Less than 1%.

Section 16(a) Beneficial Ownership Reporting Compliance

Our directors and executive officers must, under Section 16(a) of the Exchange Act, file certain reports of their initial ownership of our common stock and of changes in beneficial ownership of our securities. Based solely on a review of reports submitted to NBT, or written representations from reporting persons that all reportable transactions were reported, the Company believes that during the fiscal year ended December 31, 2008 all Section 16(a) filing requirements applicable to NBT's officers and directors were complied with on a timely basis.

Corporate Governance

The business and affairs of the Company are managed under the direction of the Board of Directors. Members of the Board are kept informed of the Company's business through discussions with the Company's executive officers, by reviewing materials provided to them and by participating in meetings and strategic planning sessions of the Board and its committees. The Board has adopted corporate governance practices and policies which the Board and senior management believe promote sound and effective corporate governance.

Director Independence

Based on a review of the responses of the directors to questions regarding employment and compensation history, affiliations and family and other relationships and on individual discussions with directors, the full Board has determined that all directors, excluding Mr. Dietrich, meet the standards of independence set forth by the NASDAQ Stock Market. In making this determination, the Board considered transactions and relationships between each director or his or her immediate family and the Company and its subsidiaries, including those reported under "Compensation Committee Interlocks and Insider Participation" and "Certain Relationships and Related Party Transactions" below. Mr. Dietrich is not independent because he is the President and Chief Executive Officer of the Company.

The independent members of the Board meet at least twice annually in an executive session where non-independent directors and management are excused. John Mitchell, who serves as chairman of the Nominating and Corporate Governance Committee, currently chairs these executive sessions.

Code of Ethics

The Company has adopted a Code of Business Conduct and Ethics that applies to all employees, as well as each member of the Company's Board of Directors. The Code of Business Conduct and Ethics is available at the Company's website at www.nbtbancorp.com/bncp/corporategov.html.

Board Policy Regarding Communications with the Board

The Board of Directors maintains a process for shareholders to communicate with the Board of Directors. Shareholders wishing to communicate with the Board of Directors should send any communication to Corporate Secretary, NBT Bancorp Inc., 52 South Broad Street, Norwich, New York 13815. Any such communication must state the name of and the number of shares beneficially owned by the shareholder making the communication. The Corporate Secretary will forward such communication to the full Board of Directors or to any individual director or directors to whom the communication is directed unless the communication is unduly hostile, threatening, illegal or similarly inappropriate. At each Board meeting, a member of management presents a summary of all communications received since the last meeting that were not forwarded and makes those communications available on request.

Director Attendance at Board Meetings and Annual Meetings

During fiscal 2008, the Board held seven meetings. Each incumbent director attended at least 75% of the aggregate of (i) the total number of meetings of the Board held during the period that the individual served and (ii) the total number of meetings held by all committees of the Board on which the director served during the period that the individual served. In addition, directors are expected to attend our annual meeting of shareholders. All directors were in attendance at the 2008 annual meeting, and we expect that all directors will be present at the 2009 annual meeting.

Committees of the Board of Directors

Our Board has a number of standing committees, including a Nominating and Corporate Governance Committee, Audit and Risk Management Committee and Compensation and Benefits Committee. The Board has determined that all of the directors who serve on these committees are independent for purposes of NASDAQ Rule 4200 and that the members of the Audit and Risk Management Committee are also "independent" for purposes of Section 10A(m)(3) of the Securities Exchange Act of 1934 (the "Exchange Act"). A description of each of these committees follows:

Nominating and Corporate Governance Committee. The members of the Nominating and Corporate Governance Committee are John C. Mitchell (Chair), Richard Chojnowski, William C. Gumble, Joseph A. Santangelo and Robert A. Wadsworth. The Committee is responsible for determining the qualification of and nominating persons for election to the Board of Directors, including (if applicable) shareholder nominations that comply with the notice procedures set forth by SEC rules and the Company's Bylaws. The Committee also formulates our corporate governance guidelines and functions to insure successful development of management at the senior level and succession planning, as applicable. The Board of Directors has adopted a written charter for the Nominating and Corporate Governance Committee, a copy of which is available on the NBT Bancorp website at www.nbtbancorp.com/bncp/corporategov.html. This Committee met three times in 2008.

The Board of Directors believes that it should be comprised of directors who possess the highest personal and professional ethics, integrity, and values, and who shall have demonstrated exceptional ability and judgment and who shall be most effective in representing the long term interests of the shareholders.

When considering candidates for the Board of Directors, the Nominating and Corporate Governance Committee takes into account the candidate's qualifications, experience and independence from management. In addition, in accordance with the Company's Bylaws:

- 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 principal office of the company, for at least one year immediately preceding the election;
- Each director must own $1,000 aggregate book value of the Company's common stock; and
- No person shall be eligible for election or re-election as a director if they shall have attained the age of 70 years.

When seeking candidates for director, the Nominating and Corporate Governance Committee may solicit suggestions from incumbent directors, management or others. The Committee also has the authority to retain any search firm to assist in the identification of director candidates. The Committee will review the qualifications and experience of each candidate. If the Committee believes a candidate would be a valuable addition to the Board, it will recommend to the full Board that candidate's election.

The Company's Bylaws also permit shareholders eligible to vote at the annual meeting to nominate director candidates, but only if such nominations are made pursuant to timely notice in writing to the President of NBT. To be timely, notice must be delivered to, or mailed to and received at, the principal executive offices of NBT within 10 days following the day on which public disclosure of the date of any annual meeting called for the election of directors is first given. The Nominating and Corporate Governance Committee will consider candidates for director suggested by shareholders applying the criteria for candidates described above and considering the additional information required by Article III, Section 3 of the Company's Bylaws, which must be set forth in a shareholder's notice of nomination. Article III, Section 3 of the Company's Bylaws requires that the notice include: (a) as to each person whom the shareholder proposes to nominate for election as a director, (i) the name and address of such person and (ii) the principal occupation or employment of such person; and (b) as to the shareholder giving notice (i) the name and address of such shareholder, (ii) the number of shares of the Company that will be voted for the proposed nominee by such shareholder (including shares to be voted by proxy) and (iii) the number of shares of the Company which are beneficially owned by such shareholder.

Audit and Risk Management Committee. The Audit and Risk Management Committee represents our Board in fulfilling its statutory and fiduciary responsibilities for independent audits of NBT's consolidated financial statements, including monitoring accounting and financial reporting practices and financial information distributed to shareholders and the general public. The Committee members are identified in the Audit and Risk Management Committee Report below. Directors on our Audit and Risk Management Committee meet the expanded independence requirements of audit committee members. In addition, our Board of Directors has determined that Ms. Civil is an "audit committee financial expert" as that term is defined in NASDAQ Marketplace Rule 4350(d)(2)(A) and the rules of the SEC.

This Committee met four times in 2008. Responsibilities and duties of this Committee are discussed more fully in the Audit and Risk Management Committee Report below and in the Committee's charter, which is available on the Company's website at www.nbtbancorp.com/bncp/corporategov.html.

Compensation and Benefits Committee. Directors William L. Owens (Chair), Patricia T. Civil, William C. Gumble, Michael M. Murphy, Joseph G. Nasser, and Joseph A. Santangelo constitute the Company's Compensation and Benefits Committee. All of the Committee members are independent directors, as determined by the Board, and as such term is defined in the NASDAQ Marketplace Rules as they apply to the Company.

The Committee is responsible for the development, oversight and administration of the Company's compensation program. The Committee works closely with the Company's CEO and Executive Vice President of Human Resources to implement our compensation program. In addition, the Committee sometimes works in executive sessions without Company management present.

The Committee regularly reviews our compensation practices and policies and recommends to the Board of Directors the compensation and benefits for the CEO, directors and executive management team, including the named executive officers. In making compensation recommendations to the Board of Directors for the named executive officers, the Committee relies substantially on the recommendations of the CEO and, in the case of the CEO's compensation, upon the recommendation of the Chairman of the Board. The Committee generally determines the compensation for the named executive officers at its December meeting preceding the commencement of the fiscal year in which the compensation will be paid or earned or in January of such fiscal year.

The Committee has engaged Mercer Human Resources Consulting, ("Mercer"), a global human resources consulting firm, to conduct an annual review of the Company's executive compensation program. Mercer is charged with comparing all elements of the Company's executive compensation program to external, objective benchmarks in order to assess the competitiveness of the Company's total compensation. Two competitive markets are compared - the broader banking industry and peer group data. In addition to a competitive analysis, Mercer performs a pay for performance alignment analysis based on a few macro-financial metrics. These measures provide information regarding compensation paid by our competitors and the broader banking industry taking into consideration size, asset growth, earnings growth and stewardship of capital. Mercer provides the Committee with relevant market data and alternatives to consider in its executive compensation decision-making. The Committee reviews information provided by Mercer to determine the appropriate level and mix of short and long-term incentive compensation and cash and equity-based compensation.

The CEO's compensation reflects the Committee's evaluation of his performance measured against the following criteria: (i) implementation of the Company's short and long-term strategies; (ii) financial and operating performance; (iii) management development; (iv) customer service; and (v) leadership in positioning the Company to meet the significant operational and regulatory challenges of the evolving financial services industry. The Committee may use its discretion to deviate from or modify compensation policies and recommendations, but does so rarely, and typically, only in unusual circumstances.

The Committee also administers the Company's pension plan, 401(k) & ESOP, the directors' and officers' stock option plans, the deferred and performance share stock plans as well as the 2008 Omnibus Incentive Plan (the "Omnibus Plan"). Pursuant to the terms of the Company's Omnibus Plan, the Committee may delegate its authority to grant awards under such plan to a member of the Board and the Committee has granted such authority, within certain defined limits, to Mr. Dietrich. A charter that reflects these responsibilities and delegated authority, which the Committee and the Board periodically review and revise, governs the Committee. A copy of the charter appears on the Company's website at www.nbtbancorp.com/bncp/corporategov.html. The Committee met four times in 2008.

Policy on Recovery of Awards

The Company does not currently have a policy with respect to the recovery of awards when the performance measures upon which they are based are restated or otherwise adjusted in a manner that would reduce the size of an award or payment.

Director Compensation

In 2008, the Company's non-employee directors received fees according to the following schedule:

Annual Retainer:	Cash (Chairman of the Board) - $0
	Cash (Director) - $5,000
	Restricted Stock (Chairman of the Board) - $50,000
	Restricted Stock (Director) - $10,000
	Deferred Stock (Chairman of the Board) - 600 Shares
	Deferred Stock (Director) - 400 Shares
Board Meetings:	Chairman of the Board - $1,000 per meeting
	Director - $900 per meeting
Telephonic Board Meetings:	Chairman of the Board - $1,000 per meeting
	Director - $900 per meeting
Committee Meetings:	Committee Member - $600 per meeting
	Committee Chairperson - $900 per meeting
	Chairman of the Board - $1,000 per meeting for which he is a member
Common Stock Options:	Chairman – 5,000 shares (i) multiplied by the number of board meetings attended during the year and (ii) divided by the number of meetings held during the year
	Member – 1,000 shares (i) multiplied by the number of board meetings attended during the year and (ii) divided by the number of meetings held during the year

The restricted stock and the deferred stock awards were issued pursuant to the NBT Bancorp Inc. Non-Employee Directors Restricted and Deferred Stock Plan. The restricted stock awarded to Directors vests one-third annually beginning on the first anniversary of the grant date and the restricted stock awarded to the Chairman of the Board vests 50% annually beginning on the first anniversary of the grant date. The deferred stock vests fully upon the award date but issuance of shares is delayed until the respective director leaves the Board. Options were issued pursuant to the NBT Bancorp Inc. Non-Employee Director, Divisional Director and Subsidiary Director Stock Option Plan and each grant vests 40% after one year, 20% annually for the following three years. In addition to the fees set forth above, committee members receive an additional $900 per meeting for meetings held at the request of management for the purpose of discussing Board related matters.

Mr. Forsythe serves as the Company's Chairman under an agreement that was entered into in 2003, when he was also serving as the Company's President and CEO. Pursuant to this agreement, commencing January 1, 2006 and continuing as long as Mr. Forsythe is a member of the Board of Directors, he will serve as Chairman of the Company. In addition to the fees set forth above, pursuant to his agreement, Mr. Forsythe is also entitled to be reimbursed for dues and assessments (including initiation fees) incurred in relation to his country club membership. Mr. Forsythe has also agreed that for one year after the termination of his agreement, he will not directly or indirectly compete with the Company or the Bank. Under the agreement, during the term of his tenure with the Company, Mr. Forsythe may not disclose confidential information about the Company or its subsidiaries to any other person or entity.

The following table provides information about the compensation paid to the Company's non-employee directors in 2008.

Director Compensation Table

Name (a)	Fees Earned or Paid in Cash ($) (b)	Restricted Stock Awards ($) (1) (2) (c)	Stock Option Awards ($) (3) (4) (d)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (5) (f)	All Other Compensation ($) (6) (g)	Total ($) (h)
Daryl R. Forsythe	$ 26,300	$ 92,665	$ 19,872		$ 26,304	$ 165,141
Richard Chojnowski	$ 25,900	$ 23,305	$ 8,201		$ 5,397	$ 62,803
Patricia T. Civil	$ 29,200	$ 23,298	$ 8,586	$ 10,830	$ 2,941	$ 74,855
Dr. Peter B. Gregory	$ 7,200	$ 1,556	$ 2,772		$ 3,641	$ 15,169
William C. Gumble (7)	$ 24,100	$ 24,832	$ 10,829		$ 5,684	$ 65,445
Paul D. Horger	$ 6,900	$ 1,556	$ 2,772	$ 19,578	$ 610	$ 31,416
Janet H. Ingraham	$ 6,300	$ 1,563	$ 2,772	$ 675	$ 610	$ 11,920
John C. Mitchell	$ 24,100	$ 23,298	$ 9,835		$ 5,520	$ 62,753
Michael M. Murphy	$ 27,100	$ 23,298	$ 8,388		$ 6,093	$ 64,879
Joseph G. Nasser	$ 29,800	$ 23,298	$ 8,053		$ 2,654	$ 63,805
William L. Owens	$ 27,100	$ 23,298	$ 8,200		$ 6,093	$ 64,691
Joseph A. Santangelo	$ 26,800	$ 23,298	$ 8,201		$ 2,941	$ 61,240

Robert A. Wadsworth	$	21,400	$	20,635	$	5,722	$	3,291	$	1,865	$	52,913

NOTES:

(1) The amounts in column (c) reflect the dollar amount recognized for financial statement reporting purposes for the fiscal year ended December 31, 2008 in accordance with Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123R"), disregarding any estimates of forfeitures due to service-based vesting conditions. Assumptions used in the calculation of these amounts are included in footnote #17 to the Company's audited financial statements for the fiscal year ended December 31, 2008. As of December 31, 2008, each director held the following number of unvested restricted shares: Daryl R. Forsythe 3,276; Richard Chojnowski 1,238; Patricia T. Civil 1,238; William C. Gumble 1,238; John C. Mitchell 1,238; Michael M. Murphy 1,238; Joseph G. Nasser 1,238; William L. Owens 1,238; Joseph A. Santangelo 1,238; and Robert A. Wadsworth 1,180.

(2) All director restricted stock awards granted for fiscal year ending December 31, 2008 were issued as of May 1, 2008 and the per share fair market value was $23.16.

(3) The amounts in column (d) reflect the dollar amount recognized for financial statement reporting purposes for the fiscal year ended December 31, 2008 in accordance with the SFAS No. 123R. Assumptions used in the calculation of these amounts are included in footnote #17 to the Company's audited financial statements for the fiscal year ended December 31, 2008. As of December 31, 2008, each director held the following number of unvested/vested and unexercised option awards: Daryl R. Forsythe 10,000 unvested and 5,000 vested; Richard Chojnowski 3,426 unvested and 9,204 vested; Patricia T. Civil 3,676 unvested and 5,704 vested; Dr. Peter B. Gregory 11,068 vested; William C. Gumble 3,417 unvested and 9,171 vested; Paul D. Horger 9,130 vested; Janet H. Ingraham 8,330 vested; John C. Mitchell 4,220 unvested and 8,147 vested; Michael M. Murphy 3,526 unvested and 3,504 vested; Joseph G. Nasser 3,396 unvested and 1,104 vested; William L. Owens 3,426 unvested and 6,361 vested; Joseph A. Santangelo 3,426 unvested and 7,954 vested; and Robert A. Wadsworth 2,934 unvested and 1,276 vested.

(4) All director stock option awards granted for fiscal year ending December 31, 2008 were issued as of May 1, 2008 and the per share fair market value was $5.76.
(5) Figures in the change in pension value and nonqualified deferred compensation earnings represent earnings for fiscal year ending December 31, 2008 on deferred directors' fees.
(6) All other compensation includes: cash dividends received on restricted stock and deferred stock granted pursuant to the Non-Employee Directors' Restricted and Deferred Stock Plan for all directors totaling $28,891; health and/or dental/vision insurance offered through the Company for nine Directors, the Company's associated premium costs totaled $25,503; $13,086 for annual premiums paid to provide long-term care insurance for the benefit of Mr. Forsythe and his spouse; and $2,874 for the dollar value of split dollar life insurance premiums paid during the 2008 fiscal year on behalf of Mr. Forsythe.
(7) During 2008 Mr. Gumble also received two cash payments of $10,000 and $15,000 made pursuant to the L.A. Bank, N.A. Executive and the L.A. Bank, N.A. Director Defined Benefit Plans, respectively. These payments are not included in the Director Compensation table.

EXECUTIVE COMPENSATION AND RELATED TRANSACTIONS

Compensation Discussion and Analysis

This section provides a discussion and an analysis of our executive compensation philosophy, guidelines and programs. The discussion and analysis is presented to give our shareholders a clear and comprehensive picture of our executive compensation. For a full understanding of the information presented, you should read and consider the following narrative discussion, together with the information in the tables below and the narratives and footnotes that accompany the tables, as well as the Compensation and Benefits Committee Report included in this Proxy Statement.
In this discussion, we refer to the Company's Chief Executive Officer (the "CEO"), its Chief Financial Officer (the "CFO"), and the other individuals included in the Summary Compensation Table below as the Company's "named executive officers".

Guiding Principles and Policies

The primary objectives of the Company's executive compensation program are:

- To attract and retain talented senior executives.
- To motivate senior executives by rewarding them for outstanding corporate and individual performance.

The following fundamental principles underlie the Company's executive compensation program:

- Executive compensation should be closely aligned with both short-term and long-term shareholder interests.
- Executive compensation should appropriately reflect performance related to the achievement of corporate and individual goals.
- Executives should be required to build and maintain significant equity investments in the Company.
- Executive compensation should be determined by a committee composed entirely of independent directors having sufficient resources to do its job, including access to independent, qualified experts.

Setting Executive Compensation

Benchmarking with Peer Companies. The Compensation and Benefits Committee analyzes and uses, compensation data from other companies provided by Mercer in making compensation decisions. The comparative data is derived from a peer group comprised of community-based banking organizations, primarily in the Northeast, with asset size and markets similar to the Company's, and against which the Committee believes that the Company competes for executive talent. The peer group, which the Committee periodically reviews, consisted of the following companies for 2008: Berkshire Hills Bancorp, Inc., Community Bank Systems, Inc., First Commonwealth Financial Corporation, FNB Corporation, First Niagara Financial Group, Inc., Harleysville National Corporation, National Penn Bancshares, Inc., Northwest Bancorp, Inc., Provident New York Bancorp, S&T Bancorp, Inc., Tompkins Financial Corporation, and TrustCo Bank Corp NY.

The Committee generally sets total compensation (base salary, annual incentive and long-term incentive opportunity) for the named executive officers at median market levels within this peer group. In some situations, the Committee may vary from this practice, based upon factors such as market competition, the urgency of the Company's need to fill a position, and a candidate's skill, experience, expertise and performance history. In 2008, total direct compensation for the named executive officers in the aggregate approximates the median market levels.

Components of Executive Compensation

During 2008, the Company's executive compensation program consisted of base salary, short-term cash incentives and long-term equity based incentives together with benefit plans, perquisites and personal benefits, and for certain of the named executive officers, post-termination pay. In 2008, base salary, cash incentive pay and long-term equity based compensation comprised 86%, 88%, 88%, and 89% of the aggregate compensation of Messrs. Dietrich, Chewens, Raven, and Levy, respectively. The Company believes that this compensation mix accurately reflects the principles and objectives described in this Compensation Discussion and Analysis.

Executive Compensation Overview

The table below sets forth the components of the Company's executive compensation program, why we pay each component and identifies the tables that provide detailed information about each component.

Compensation Component	Description	Purpose	Detailed Information
Base Salary	Pay for skill and experience.	· Required for market competitiveness.	Summary Compensation Table
Executive Incentive Compensation Program	Annual rewards for achievement of superior performance with respect to critical annual business goals.	· Market competitive practice. · Focuses named executive officers on annual goals that link them to Company performance.	Summary Compensation Table Grants of Plan-Based Awards Table
Performance Share Plan	Long-term compensation linked to Company stock price performance.	· Equity grants provide a competitive long-term incentive to named executive officers in direct alignment with shareholder interests. · The use of performance-accelerated restricted stock not only aligns named executive officers with shareholders, but also serves as an effective retention device.	Summary Compensation Table Grants of Plan-Based Awards Table Outstanding Equity Awards at Fiscal Year-End Table Option Exercises and Stock Vested Table
Stock Options	Long-term compensation linked to Company stock price	· Link award to stock appreciation.	Summary Compensation Table

	performance.		Grants of Plan-Based Awards Table Outstanding Equity Awards at Fiscal Year-End Table Option Exercises and Stock Vested Table
Retirement Benefits	Named executive officers participate in a defined benefit pension plan, a 401(k) & ESOP tax qualified defined contribution plan, and for some named executive officers, Supplemental Executive Retirement Plan, or SERP, which is a non-tax qualified retirement plan.	· Defined benefit pension plan and 401(k) & ESOP are part of the Company's broad-based employee pay program. · Market competitive practice.	Summary Compensation Table Pension Benefits Table Nonqualified Deferred Compensation Table
Perquisites and Other Personal Benefits	Benefits include automobiles, life and disability insurance, relocation expenses and other perquisites. Eligibility for each perquisite varies.	· These benefits are designed to encourage continuity in executive leadership and remain market competitive.	Summary Compensation Table
Termination & Severance Pay	Named executive officers have employment agreements providing post-termination compensation. Named executive officers also have Change-in-Control ("CIC") agreements.	· Market competitive practice. · Employment agreements assist in attracting and retaining the named executive officers. · CIC arrangements provide continuity of management in the event of an actual or threatened change-in-control of the Company.	Potential Payments Upon Termination or Change in Control Table

Base Salary

The Committee reviews executive base salaries annually. Base salary is intended to recognize the value of the executive's position and to be market competitive. All current named executive officers serve pursuant to employment agreements that provide for a minimum base salary that may not be reduced without their consent. In establishing the fiscal 2008 salary for each executive, the Committee considered:

- the officer's responsibilities, qualifications and experience;
- the officer's overall financial and operational achievements, as well as the performance of the business or function for which the individual is responsible;
- the officer's role in leading or helping implement our short-term and long-term strategies;
- the market for individuals with the relevant skills, experience and expertise and the competitiveness of the executive compensation program in relationship to relative company peers; and
- prevailing interest rates and other conditions in the financial markets.

For 2008, the base salaries for the named executive officers, upon recommendation by the CEO and as determined by the Committee, were in line with market surveys for financial institutions within our asset size and in our geographic area. The base salary for each of the named executive officers is reflected in column (c) of the Summary Compensation Table on page 22. Mr. Dietrich's base salary in 2008 was $495,000, and will be $520,000 in 2009. Mr. Chewens' base salary was $345,000 in 2008 and will be $363,000 in 2009. Mr. Raven's base salary was $330,000 in 2008 and will be $363,000 in 2009. Mr. Levy's base salary was $208,600 in 2008 and will be $250,000 in 2009.

Variable Compensation.

In addition to base salaries in fixed amounts, the Company provides cash and equity based incentive compensation. These forms of compensation vary in amount depending on the factors discussed below and are designed to promote superior performance and achievement of corporate goals, encourage the growth of shareholder value, and allow key employees to participate in the long-term growth and profitability of the Company.

Executive Incentive Compensation Plan. The Executive Incentive Compensation Plan ("EICP"), directly ties compensation to specific company financial goals, as well as individual performance objectives. The awards under the plan are determined through a combination of achievement of individual performance goals and the attainment of certain levels of Earnings Per Share ("EPS") goals with respective weighting determined by each executive's position. At the beginning of each year, the Committee decides whether an EICP should be established, and if it is, approves the group of employees eligible to participate for that year and the EPS goal levels that will determine year end payout.

At the beginning of 2008, after a review of the Mercer study of our peers, the Board opted to adopt similar payout methodology and restructured the EICP in line with some of these peers to allow payouts not only at budgeted baseline goals, but within established guidelines when results are within a certain percentage of the baseline goal. The Company paid no bonuses based on 2007 performance because the Company only achieved 92.1% of the budgeted EPS; however, the Company's overall performance was still better than most of our peers who were paying bonuses. For 2008, the baseline earnings threshold was set at 100% of budget, with a minimum threshold of 90%. If the Company's earnings for the year were equal to or greater than the minimum threshold, the named executive officers would be eligible for awards to be determined in accordance with the respective level of earnings. If the minimum threshold was not achieved, awards would not be made under the EICP. This change had no impact on bonus payouts for 2008 as the Company's performance was significantly higher than the budget.

In addition to corporate earnings goals, the Committee may establish individual performance objectives as a component of the overall payout for each of the named executive officers. The CEO generally provides input for these performance objectives for the named executive officers other than himself. Each named executive officer may have several individual performance objectives that are tied to both the executive's respective corporate responsibilities and the Company's overall strategic plan. Objectives more critical to the Company are given more significant weight than other objectives. Each individual performance objective is evaluated at year end in terms of accomplishment and the total result of all objectives plus the respective achieved corporate earnings percentage are combined and multiplied times base salary to derive the total payout.

The following table depicts the corporate component and total individual performance objectives component weightings for the named executive officers for fiscal year 2008.

Executive Level	Named Executive Officer	Corporate Component	Individual Component	Total
Level A	Mr. Dietrich	100%	0%	100%
Level B-1	Mr. Chewens	66%	34%	100%
Level B-2	Mr. Raven	50%	50%	100%
Level C	Mr. Levy	50%	50%	100%

The following table depicts the range of potential payouts to the named executive officers under the EICP as a percentage of base salary, based upon achievement of individual performance objectives and attainment of corporate earnings goals identified in the table above. With the restructure of the EICP, Level 5 in 2008 compares to Level 1 in 2007. These percentages have been adjusted to more accurately reflect current market payout levels to executives in positions of the named executive officers.

EICP Payout Level	Exec. Level A Potential Payouts	Exec. Level B-1&B-2 Potential Payouts (% Achieved = 100%)	Exec. Level C Potential Payouts (% Achieved = 100%)
Level 1	48%	37.6%	24.8%
Level 2	51%	40.0%	26.4%
Level 3	54%	42.3%	27.9%
Level 4	57%	44.7%	29.5%
Level 5(baseline)	60%	47.0%	31.0%
Level 6	70%	58.8%	38.8%
Level 7	80%	70.5%	46.5%
Level 8	90%	82.3%	54.3%
Level 9	100%	94.0%	62.0%

If the Company's actual earnings are equal to or greater than a predetermined threshold, the named executive officers are eligible for awards to be determined in accordance with the following formula: [Assigned Percentage Achieved (based upon corporate component and, if applicable, achievement of individual performance objectives)] x [base salary]. The awards determined in accordance with the formula are increased by a factor of up to 3 times based upon attainment of actual earnings between the threshold and maximum set by the Committee. For example, if the Company achieved an EPS Level 5 (baseline budget) and the named executive officer was at an Executive Level B-1, the maximum payout would be 47% of base salary.

Performance Share Plan. The Performance Share Plan is a long-term, equity-based incentive plan that links executive compensation to the Company's profitability and increased share value. The Committee establishes guidelines for awards under this restricted stock plan, which must be based on the attainment by the participant of specific performance goals established at a time when the outcome of the performance goals is substantially uncertain. In setting the guidelines, the Committee considers a number of factors, including an individual's organizational position, historical performance, prior awards, current performance and potential future contribution to the Company. The Committee determines the performance period over which the achievement of applicable performance goals will be measured, the executives who will participate during the period, the amount of performance shares that may be awarded, and the vesting period for each grant. The guidelines established by the Committee applicable to the named executive officers in 2008 were based on increased diluted EPS over the one year period ending December 31, 2008. The Committee believes the EPS measure best reflects the value provided to the shareholders. The Committee believes that these objectives are challenging and require significant individual achievement to be met. This plan was terminated on May 6, 2008. Any future performance based equity awards will be issued under the Omnibus Plan.

Stock Option Plan. The Company's 1993 Stock Option Plan ("Stock Option Plan"), administered by the Compensation and Benefits Committee, provides for awards of non-tax qualified options to key management employees, including the named executive officers. The Committee believes stock options are inherently performance-based, and therefore support the objective of providing performance-based compensation while providing an opportunity for the Company's named executive officers to acquire or increase a proprietary interest in the Company. The Committee does not consider the number of options outstanding and held by the named executive officers in determining current year option awards. Options are awarded with an exercise price equal to the fair market value on the NASDAQ Stock Market on the date of the grant. Options granted by the Committee under the Stock Option Plan vest at a rate of 40% after one year, and in equal increments over the next three years. Options are forfeited if the holder does not exercise them within ten years of the grant date. The Committee's established practice is to grant options annually at the Committee's regularly scheduled January meeting. This plan was terminated on April 18, 2008. Any future awards will be issued under the 2008 Omnibus Incentive Plan.

Omnibus Plan. The Omnibus Plan was approved by the Board of Directors on January 28, 2008 and by our shareholders at the annual meeting on May 6, 2008. The Omnibus Plan is used to grant equity and performance-based awards to applicable employees, including our named executive officers, similar to those previously granted under the Stock Option Plan and the Performance Share Plan, and also replaces the Company's Non-Employee Directors Restricted and Deferred Stock Plan, Non-Employee Director, Divisional Director and Subsidiary Director Stock Option Plan and the 2006 Non-Executive Restricted Stock Plan. All outstanding awards under the previous plans will remain outstanding; however, no further awards were granted pursuant to such plans after the Omnibus Plan was approved by shareholders at the 2008 annual meeting. The Omnibus Plan does not have a substantive effect on the elements of compensation that comprise each named executive officer's total compensation package. Under the Omnibus Plan, the Company continues to provide each named executive officer with annual and long-term incentives in the form of cash and equity-based awards with terms similar to those discussed in this Compensation Discussion and Analysis. During 2008, the Committee approved a one time retention award for the named executive officers of the company in the form of restricted stock units. This award was issued under the Omnibus Plan and is detailed in the Grants of Plan-Based Awards table on page 24.

Equity-Based Incentive Compensation Plan. As shown in the table below, Messrs. Dietrich, Chewens, Raven and Levy received the following long-term non-cash compensation awards under the Stock Option Plan, the Performance Share Plan, and the Omnibus Plan. In granting these awards, the Committee considered peer group and market data, as well as individual performance contributing to the Company's success.

Named Executive Officer	Option Awards	Performance Share Awards	Restricted Stock Unit Award
Dietrich	25,000	7,800	9,700
Chewens	18,000	5,850	6,700
Raven	17,000	5,850	6,500
Levy	7,500	4,875	2,800

Retirement Plans.

Defined Benefit Pension Plan. Our named executive officers participate in the NBT Bancorp Inc. Defined Benefit Pension Plan, which is a noncontributory, tax-qualified defined benefit pension plan. The plan is available to all Company employees who have attained age 21 and have completed one year of service, as defined in the plan. The plan provides for 100% vesting after three years of qualified service. The plan has a cash balance feature, in which all of the named executive officers participate. The footnotes to the Pension Benefits Table on page 27, including the narrative discussion that follows such table, contain a detailed description of the defined benefit/cash balance pension plan, including a description of the eligibility, crediting, vesting, mortality, and other terms and assumptions used for the calculation of plan benefits.

Supplemental Retirement Benefits. Messrs. Dietrich, Chewens and Raven each participate in a supplementary executive retirement plan ("SERP"), which provides the executive with supplemental retirement benefits. Each SERP is embodied in agreements between the Company and the respective named executive officer, and is principally designed to restore benefits that would have been paid to the named executive officer if certain federal tax limitations were not in effect, as well as to attract and retain qualified and experienced executive officers. The narrative that follows the Nonqualified Deferred Compensation table on page 28 contains a detailed description of each SERP.

401(k) & Employee Stock Ownership Plan. The 401(k) & Employee Stock Ownership Plan ("401(k) & ESOP") is a tax-qualified defined contribution retirement savings plan available to all Company employees who have attained age 21 and are either scheduled to complete one year of service or have completed one year of service, as defined by the plan. Plan participants may contribute up to the limit prescribed by the Internal Revenue Service on a before-tax basis. The Company matches 100% of the first 3% of pay contributed to the plan. Additionally, the Company can make discretionary contributions to the plan based on its financial performance. A discretionary contribution may also be made in the form of an employer non-elective amount to the ESOP portion of the plan based on the performance of the Company of up to 3% of base pay. In 2008, the discretionary contribution for both the 401(k) and the ESOP portions of the plan were 2.0% of base pay. All Company contributions to this retirement plan are made in the form of Company common stock, and vest at the rate of 20% per year with full vesting following five years of benefit service. The named executive officers participate in this plan. Column (g) in the Summary Compensation table on page 22 includes the dollar value of the stock contributed by the Company under the 401(k) & ESOP to each of the named executive officers.

The Company amended the 401(k) & ESOP effective January 1, 2008 to add an automatic enrollment provision which allows the company to automatically enroll any eligible employee hired on or after January 1, 2008 who is expected to satisfy eligibility requirements for making elective contributions. An eligible employee will be automatically enrolled unless the employee declines enrollment or self-enrolls in the plan prior to the automatic enrollment deadline.

Perquisites and Other Personal Benefits.

The Company provides named executive officers with perquisites and other personal benefits that the Company and the Committee believe are reasonable and consistent with its overall compensation program to better enable the Company to attract and retain superior employees for key positions. During 2008, these benefits included the use of Company-owned automobiles, life and disability insurance, and club memberships. Each of the named executive officers have term life insurance policies equal to two times their base salary, up to a maximum of $500,000, with the benefit payable to a beneficiary selected by the named executive officer. The Company pays the premiums on each policy. Each of the named executive officers (except for Mr. Levy) also has the use of a Company-owned automobile. Any personal mileage incurred by the executive is taxed as additional compensation in accordance with IRS regulations. The Committee periodically reviews the levels of perquisites and other personal benefits provided to named executive officers. The dollar amount of these benefits is reflected in column (h) in the Summary Compensation Table on page 22. The aggregate amounts of perquisites and other personal benefits paid to Messrs. Dietrich, Chewens and Raven were determined to be less than the established reporting thresholds for detailed disclosure.

Stock Ownership Guidelines

To directly align their interests with shareholders' interests, in 2005, the Committee established stock ownership guidelines for the Board of Directors and the executive management team including our named executive officers. The Committee considered individual financial means in setting each executive's required minimum number of shares. The executives must comply with the guidelines the later of five years from the adoption of the policy or five years from the date of promotion to the executive management team. Failure to meet the guidelines could, at the Committee's discretion, affect future stock option awards. As of December 31, 2008, all named executive officers were in compliance with established guidelines.

Accounting for Stock-Based Compensation

Beginning on January 1, 2006 the Company began accounting for equity-based payments in accordance with the requirements of SFAS No. 123R.

Tax Matters

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to a company for compensation in excess of one million dollars paid to a company's CEO, and to the next four highest paid officers of the company, unless the compensation qualifies as "performance-based compensation" or falls under certain other specified exceptions under Section 162(m). Generally, to qualify as performance-based compensation, the plan or arrangement must contain specific performance criteria, specific limits on awards and amounts and must have shareholder approval. While the Committee recognizes the importance of tax deductibility and endeavors to formulate its compensation program in a tax-effective manner, it also believes it is critical to balance tax deductibility with ensuring that the Company's programs are designed appropriately to recognize and reward executive performance, such that at times current tax deductibility limits may be exceeded.

Section 409A of the Internal Revenue Code generally provides that unless certain requirements are met, amounts deferred under a nonqualified deferred compensation plan are currently includible in an employee's gross income to the extent not subject to a substantial risk of forfeiture. Section 409A applies to most forms of deferred compensation, including but not limited to, nonqualified deferred compensation plans or arrangements, certain equity based performance awards, and severance plans or individual severance arrangements contained within employment agreements. Generally, under Section 409A, any severance arrangement not in compliance with Section 409A covering a named executive officer pursuant to an employment or change in control agreement which is effective upon termination of employment, any deferrals under a nonqualified deferred compensation plan that do not comply with Section 409A or any stock option award grants with an exercise prices of less than fair market value on the date of grant may subject the named executive officer to (i) current income inclusion of the relevant amounts, (ii) interest at the IRS underpayment rate, and (iii) an additional 20% excise tax. The Company believes it is operating in good faith compliance with the statutory and regulatory provisions currently in effect. The Nonqualified Deferred Compensation table on herein provides detailed information about the Company's nonqualified deferred compensation arrangements.

Executive Compensation

The table below summarizes the total compensation paid to or earned by each of the named executive officers for the fiscal year ended December 31, 2008. The compensation received by the named executive officers was a combination of cash and equity compensation and long-term and short-term compensation. The Compensation and Benefits Committee concluded that this mix reflects the compensation principles discussed in the Compensation Discussion and Analysis, as applied to each officer's responsibilities and performance. Collectively, 2008 compensation for the named executive officers consisted of 60% cash payments and 28% equity awards, and 61% and 39% in short-term and long-term compensation respectively. Mr. Dietrich's compensation was comprised of 53% cash payments and 33% equity awards, and 53% and 47% in short-term and long-term compensation respectively.

Summary Compensation Table

Name and Principal Position (a)	Year (b)	Salary ($) (1) (c)	Stock Awards ($) (2) (d)	Option Awards ($) (3) (e)	Non-Equity Incentive Plan Compensation Earnings ($) (5) (f)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (6) (g)	All Other Compensation ($) (10) (h)	Total ($) (i)
Martin A. Dietrich	2008	$ 495,000	$ 244,874	$ 172,837	$ 396,000	$ 207,020(7)	$ 163,398	$ 1,679,129
President & Chief Executive	2007	$ 450,000	$ 91,296	$ 173,283(4)	$ 0	$ 306,144(7)	$ 37,266	$ 1,057,989
Officer of NBT and NBT Bank	2006	$ 450,000	$ 91,218	$ 157,017	$ 247,500	$ 239,963(7)	$ 29,319	$ 1,215,017
Michael J. Chewens	2008	$ 345,000	$ 92,054	$ 99,102	$ 243,225	$ 96,462(8)	$ 116,447	$ 992,290

Senior Executive Vice President,	2007	$ 325,000	$ 63,907	$ 119,199	$ 0	$ 117,598(8)	$ 25,815	$ 651,519
Chief Financial Officer and	2006	$ 325,000	$ 63,852	$ 103,664	$ 167,375	$ 98,897(8)	$ 20,716	$ 779,504
Secretary of NBT and NBT Bank								
David E. Raven	2008	$ 330,000	$ 91,480	$ 92,654	$ 232,650	$ 83,509(9)	$ 121,975	$ 952,268
President of Retail Banking of	2007	$ 305,000	$ 63,907	$ 111,846	$ 0	$ 84,179(9)	$ 29,871	$ 594,803
NBT Bank, President and Chief	2006	$ 290,000	$ 63,852	$ 100,100	$ 157,075	$ 90,619(9)	$ 26,286	$ 727,932
Executive Officer Pennstar								
Bank Division								
Jeffrey M. Levy	2008	$ 208,600	$ 42,962	$ 53,156	$ 111,765	$ 12,274	$ 41,793	$ 470,550
President of Commercial	2007	$ 198,600	$ 7,630	$ 54,193	$ 0	$ 9,645	$ 39,702	$ 309,770
Banking and Capital Region	2006	$ 176,816	$ 7,622	$ 52,131	$ 65,101	$ 2,828	$ 24,623	$ 329,121
President of NBT Bank								

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NOTES:

(1) Certain named executives deferred a portion of their salary in 2008 as detailed in the Nonqualified Deferred Compensation table on page 28.

(2) The amounts in column (d) reflect the dollar amount recognized for financial statement reporting purposes for the fiscal year ended December 31, 2008 in accordance with SFAS No. 123R, disregarding any estimates of forfeitures due to service-based vesting conditions. The assumptions used to calculate the accounting expense recognized in fiscal 2008 for these stock awards are set forth (a) as to awards made in fiscal 2006, 2007 and 2008, in footnote 17 to the Company's audited financial statements contained in the Company's Form 10-K for the year ended December 31, 2008 and (b) as to awards made in fiscal 2004 and 2005, in footnote 17 to the Company's audited financial statements contained in the Company's Form 10-K for the year ended December 31, 2006.

(3) The amounts in column (e) reflect the dollar amount recognized for financial statement reporting purposes for the fiscal year ended December 31, 2008 in accordance with the SFAS No. 123R, disregarding any estimates of forfeitures due to service-based vesting conditions. The assumptions used to calculate the accounting expense recognized in fiscal 2008 for these option awards are set forth (a) as to awards made in fiscal 2006, 2007 and 2008, in footnote 17 to the Company's audited financial statements contained in the Company's Form 10-K for the year ended December 31, 2008 and (b) as to awards made in fiscal 2004 and 2005, in footnote 17 to the Company's audited financial statements contained in the Company's Form 10-K for the year ended December 31, 2006.

(4) This amount includes $412 relating to a reload option granted upon cash exercise of an initial option grant that was awarded to Mr. Dietrich on January 27, 1998 and $78,209 relates to an initial option grant that was awarded to Mr. Dietrich on January 1, 2007. Both awards were issued pursuant to the Stock Option Plan.

(5) The amounts in column (f) reflect cash awards to the named executives under the EICP in 2006 and 2008. Certain named executives deferred a portion of the 2008 award in 2009 as detailed in the Nonqualified Deferred Compensation table on page 23.

(6) The amounts in column (g) reflect solely the actuarial increase in the present value of the named executive officer's benefits under all pension plans established by the Company determined using interest rate and mortality rate assumptions consistent with those used in the Company's financial statements as set forth in footnote 17 to the Company's audited financial statements contained in the Company's Form 10-K for the year ended December 31, 2008 and includes amounts which the named executive officer may not currently be entitled to receive because such amounts are not vested.

(7) In column (g), for Mr. Dietrich, the increase in 2008 consists of an increase of $109,981 in the value of Mr. Dietrich's benefit from the Pension Plan and an increase of $97,039 in the value of his benefit from his SERP. The increase in 2007 consists of an increase of $451,786 in the value of Mr. Dietrich's benefit from the Pension Plan pursuant to an amendment effective December 31, 2007, reduced by a decrease of $145,642 in the value of his benefit from his SERP, which provides for such reduction to the extent of any Pension Plan benefit increases. The increase in 2006 consists of an increase of $38,252 in the value of Mr. Dietrich's benefit from the Pension Plan and an increase of $201,711in the value of his benefit from his SERP.

(8) In column (g), for Mr. Chewens, the increase in 2008 consists of an increase of $63,092 in the value of Mr. Chewens's benefit from the Pension Plan and an increase of $33,370 in the value of his benefit from his SERP. The increase in 2007 consists of an increase of $233,215 in the value of Mr. Chewens' benefit from the Pension Plan pursuant to an amendment effective December 31, 2007, reduced by a decrease of $115,617 in the

value of his benefit from his SERP, which provides for such reduction to the extent of any Pension Plan benefit increases. The increase in 2006 consists of an increase of $34,743 in the value of Mr. Chewens' benefit from the Pension Plan and an increase of $64,154 in the value of his benefit from his SERP.

(9) In column (g), for Mr. Raven, the increase in 2008 consists of an increase of $54,485 in the value of Mr. Raven's benefit from the Pension Plan and an increase of $29,024 in the value of his benefit from his SERP. The increase in 2007 consists of an increase of $186,322 in the value of Mr. Raven's benefit from the Pension Plan pursuant to an amendment effective December 31, 2007, reduced by a decrease of $102,143 in the value of his benefit from his SERP, which provides for such reduction to the extent of any Pension Plan benefit increases. The increase in 2006 consists of an increase of $34,678 in the value of Mr. Raven's benefit from the Pension Plan and an increase of $55,941 in the value of his benefit from his SERP.

(10) The amount shown in column (h) reflects the following items as applicable for each named executive officer:

Compensation	Year	Dietrich	Chewens	Raven	Levy
Value of matching and discretionary contributions to	2008	$ 16,100	$ 16,100	$ 16,100	$ 14,602
the 401(K) & ESOP (See page 19 under the heading	2007	$ 9,000	$ 9,000	$ 9,000	$ 9,000
"Retirement Plans")	2006	$ 8,800	$ 8,800	$ 8,800	$ 8,672
Value of life and disability insurance premiums paid by	2008	$ 7,759	$ 4,466	$ 3,592	$ 5,360
the Company (See page 20 under the heading	2007	$ 6,692	$ 4,466	$ 3,592	$ 5,360
"Perquisites and Other Personal Benefits")	2006	$ 6,692	$ 4,069	$ 3,212	$ 5,150
Value of dividends or other earnings paid on stock or					
option awards not included within the SFAS No. 123R	2008(a)	$ 134,225	$ 93,904	$ 93,784	$ 3,000
pursuant to the Performance Share Plan and Stock					
Option Plan (See page 18 under the headings of	2007	$ 12,640	$ 8,848	$ 8,848	$ 1,304
"Performance Share Plan" and "Stock Option Plan" and					
"Omnibus Plan")	2006	$ 7,980	$ 5,586	$ 5,586	$ 836
Value of Perquisites and Other Personal Benefits	2008	$ 0	$ 0	$ 0	$ 18,831
	2007	$ 0	$ 0	$ 0	$ 24,038(b)
	2006	$ 0	$ 0	$ 0	$ 0

(a) The amount shown for Messrs Dietrich, Chewens, Raven and Levy contains both the value of dividends paid on stock and option awards in the amount of $14,420, $10,040, $9,920, and $3,000, respectively, plus earnings on performance shares paid to Dietrich, Chewens, and Raven in the amount of $119,805, $83,864, and $83,864, respectively.

(b) The amount shown for Mr. Levy for Perquisites and Other Personal Benefits for 2008 consists of an automobile allowance of $7,800, and club memberships of $11,031 and for 2007 consists of an automobile allowance of $7,800, club memberships of $11,461 and a sales award of $4,777.

Grants of Plan-Based Awards

The following table provides information about payments to the named executive officers under the Company's cash and equity incentive plans.

			Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)					
Name (a)	Grant Date (b)	Date of Committee/Board Action (c)	Threshold ($) (d)	Target ($) (e)	Maximum ($) (f)	Thresh-old (#) (g)	Target (#) (h)	Maxi-mum (#) (i)	All Other Options & Awards: Number of Securities Underlying Options (#) (3) (j)	Exercise or Base Price of Options & Awards ($/Sh) (4) (k)	Gran Date F Mark Valu ($) (l)
tin A. Dietrich	1/1/2008	1/23/2008	$ 237,600	$ 297,000	$ 495,000	4,800	6,000	9,600			$ 136,
	1/15/2008	12/11/2007							25,000	$ 20.3617	$ 99,
	5/31/2008	5/6/2008							9,700	$ 24.5200	$ 237,
hael J. Chewens	1/1/2008	1/23/2008	$ 129,720	$ 162,150	$ 324,300	3,600	4,500	7,200			$ 102,
	1/15/2008	12/11/2007							18,000	$ 20.3617	$ 71,
	5/31/2008	5/6/2008							6,700	$ 24.5200	$ 164,
id E. Raven	1/1/2008	1/23/2008	$ 124,080	$ 155,100	$ 310,200	3,600	4,500	7,200			$ 102,
	1/15/2008	12/11/2007							17,000	$ 20.3617	$ 67,
	5/31/2008	5/6/2008							6,500	$ 24.5200	$ 159,
ey M. Levy	1/1/2008	1/23/2008	$ 51,733	$ 64,666	$ 129,332	3,000	3,750	6,000			$ 85,
	1/15/2008	12/11/2007							7,500	$ 20.3617	$ 29,
	5/31/2008	5/6/2008							2,800	$ 24.5200	$ 68,

NOTES:

(1) Estimated Possible Payouts Under Non-Equity Incentive Plan Awards are a product of a percentage of base salary in accordance with the EICP, a detailed description of which appears on page 17.

(2) Estimated Future Payouts Under Equity Incentive Plan Awards represent performance based awards issued in accordance with the Performance Share Plan, a description of which can be found in the Compensation Discussion and Analysis narrative.

(3) The January 15, 2008 stock option awards were issued pursuant to the Stock Option Plan, a description of which can be found in the Compensation Discussion and Analysis narrative. The May 31, 2008 restricted stock unit awards were issued pursuant to the Omnibus Plan, a description of which can be found in the Compensation Discussion and Analysis narrative.

(4) The exercise price of stock option awards was fair market value on the date of grant, as calculated by the Plan Administrator as provided in the Stock Option Plan. The base price of the restricted stock unit awards was fair

market value on the date of grant, as calculated by the Plan Administrator as provided in the Omnibus Plan.

Outstanding Equity Awards at Fiscal Year-End

The following table provides information about outstanding equity awards under the Company's Stock Option Plan and Performance Share Plan.

		Option Awards	Restricted Stock Awards
Name	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	