NBT BANCORP INC
Form DEF 14A
March 31, 2008

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934 (Amendment No.)

Filed by Registrant þ
Filed by Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

NBT Bancorp Inc.
(Name of Registrant as Specified in Its Charter)
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

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(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, schedule or registration statement no.:

(3) Filing party:

(4) Date filed:

NBT Bancorp Inc.

52 South Broad Street
Norwich, New York 13815

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NBT Bancorp Inc. ("NBT") will hold an annual meeting of shareholders at the Binghamton Holiday Inn Arena at 2-8 Hawley Street, Binghamton, New York 13901 on May 6, 2008 at 10:00 a.m. local time for the following purposes:

1. To fix the size of the Board of Directors at eleven;
2. To elect two directors, each for a three year term;
3. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2008;
4. To approve the NBT 2008 Omnibus Incentive Plan; and
5. To transact such other business as may properly come before the NBT annual meeting.

We have fixed the close of business on March 15, 2008 as the record date for determining those shareholders of NBT entitled to vote at the NBT annual meeting and any adjournments or postponements of the meeting. Only holders of record of NBT common stock at the close of business on that date are entitled to notice of and to vote at the NBT annual meeting.

By Order of the Board of Directors of
NBT Bancorp Inc.

/s/ Daryl R. Forsythe
Daryl R. Forsythe
Chairman of the Board

Norwich, New York
March 31, 2008

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED REGARDLESS OF THE NUMBER YOU OWN. EVEN IF YOU PLAN TO BE PRESENT, YOU ARE URGED TO COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY CARD PROMPTLY IN THE ENVELOPE PROVIDED OR VOTE VIA THE

TOLL-FREE TELEPHONE NUMBER OR VIA THE INTERNET ADDRESS LISTED ON THE PROXY CARD. YOU MAY REVOKE ANY PROXY GIVEN IN WRITING OR IN PERSON AT ANY TIME PRIOR TO THE VOTE AT THE ANNUAL MEETING.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on May 6, 2008: This Proxy Statement, along with our Annual Report on Form 10-K for the fiscal year ended December 31, 2007 and our 2007 Annual Report are available free of charge on our website at www.nbtbancorp.com/bncp/proxy.html.

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

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

May 6, 2008

This proxy statement and accompanying proxy card are being sent to the shareholders of NBT Bancorp Inc. ("NBT" or, the "Company") in connection with the solicitation of proxies on behalf of the Board of Directors to be used at the 2008 annual meeting of shareholders. This proxy statement, together with the enclosed proxy card, is being mailed to shareholders on or about March 31, 2008.

When and Where the NBT Annual Meeting Will Be Held

We will hold our annual meeting of shareholders at the Binghamton Holiday Inn Arena at 2-8 Hawley Street, Binghamton, New York 13901 on May 6, 2008 at 10:00 a.m. local time.

What Will Be Voted on at the NBT Annual Meeting

At our annual meeting, our shareholders will be asked to consider and vote upon the following proposals:

- To fix the size of the Board of Directors at eleven;
- To elect two directors, each for a three year term;
- To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2008;
- To approve the NBT 2008 Omnibus Incentive Plan; and
- To transact such other business as may properly come before the NBT annual meeting.

We may take action on the above matters at our annual meeting on May 6, 2008, or on any later date to which the annual meeting is postponed or adjourned.

We are unaware of other matters to be voted on at our annual meeting. If other matters do properly come before our annual meeting, including consideration of a motion to adjourn the annual meeting to another time and/or place for the purpose of soliciting additional proxies, we intend that the persons named in this proxy will vote the shares represented by the proxies on such matters as determined by a majority of the Company's Board.

Shareholders Entitled to Vote

We have set March 15, 2008, as the record date to determine which of our shareholders will be entitled to vote at our annual meeting. Only those shareholders who held their shares of record as of the close of business on that date will be entitled to receive notice of and to vote at our annual meeting. As of March 15, 2008, there were 32,066,395 outstanding shares of our common stock. Each of our shareholders on the record date is entitled to one vote per share.

Vote Required to Approve the Proposals

A plurality of the shares of our common stock represented at our annual meeting, either in person or by proxy, and entitled to vote at our annual meeting will elect directors. This means that the two nominees who receive the most votes will be elected.

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The affirmative vote of a majority of the shares of our common stock represented at our annual meeting, either in person or by proxy, and entitled to vote at our annual meeting is required to approve the proposals to fix the number of directors at eleven, to approve and adopt the NBT Bancorp Inc. 2008 Omnibus Incentive Plan and to ratify the Company's independent registered public accounting firm.

Our Board urges our shareholders to complete, date and sign the accompanying proxy and return it promptly in the enclosed postage-paid envelope or to vote by telephone or via the Internet. Broker non-votes will not be counted as a vote cast or entitled to vote on any matter presented at the annual meeting. Abstentions will be counted in determining the number of shares represented and entitled to vote and will have the effect of a vote cast "against" Proposal 1.

Number of Shares that Must Be Represented for a Vote to Be Taken

In order to have a quorum, a majority of the total voting power of our outstanding shares of common stock entitled to vote at our annual meeting must be represented at the annual meeting either in person or by proxy. Abstentions and broker non-votes are counted as present for the purpose of determining the presence of a quorum for the transaction of business.

Voting Your Shares

Our Board is soliciting proxies from our shareholders. This will give you an opportunity to vote at our annual meeting without having to attend. When you deliver a valid proxy, the shares represented by that proxy will be voted by a named agent in accordance with your instructions.

If you are a record holder and vote by proxy but make no specification on your proxy card that you have otherwise properly executed, the named agent may vote the shares represented by your proxy:

FOR fixing the number of directors at eleven;

FOR electing the two persons nominated by our Board as directors;

- FOR ratifying the appointment of KPMG LLP as our independent registered public accounting firm; and
- FOR the approval of the Omnibus Incentive Plan.

If you are a shareholder whose shares are registered in your name, you may vote your shares by using one of the following four methods:

Mail. To grant your proxy by mail, please complete your proxy card and sign, date and return it in the enclosed envelope. To be valid, a returned proxy card must be signed and dated.

Telephone. If you hold NBT common stock in your own name and not through a broker or other nominee, you can vote your shares of NBT common stock by telephone by dialing the toll-free telephone number 1-800-690-6903. Telephone voting is available 24 hours a day until 11:59 p.m. local time on May 5, 2008. Telephone voting procedures are designed to authenticate shareholders by using the individual control numbers on your proxy card. If you vote by telephone, you do not need to return your proxy card.

Via the Internet. If you hold NBT common stock in your own name and not through a broker or other nominee, you can vote your shares of NBT common stock electronically via the Internet at www.proxyvote.com. Internet voting is available 24 hours a day until 11:59 p.m. local time on May 5, 2008. Internet voting procedures are designed to authenticate shareholders by using the individual control numbers on your proxy card. If you vote via the Internet, you do not need to return your proxy card.

In person. If you attend the annual meeting in person, you may vote your shares by completing a ballot at the meeting. Attendance at the annual meeting will not by itself be sufficient to vote your shares; you still must complete and submit a ballot at the annual meeting.

If your shares are registered in the name of a bank or brokerage firm you will receive instructions from your holder of record that must be followed in order for the record holder to vote the shares per your instructions. Many banks and brokerage firms have a process for their beneficial holders to provide instructions over the phone or via the Internet. If you hold shares through a bank or brokerage firm and wish to be able to vote in person at the meeting, you must obtain a legal proxy from your broker, bank or other holder of record and present it to the inspector of elections with your ballot.

Changing Your Vote

Any NBT shareholder of record giving a proxy may revoke the proxy at any time before the vote at the annual meeting in one or more of the following ways:

Delivering a written notice of revocation to the Secretary of NBT bearing a later date than the proxy;

Submitting a later dated proxy by mail, telephone or via the Internet; or

Appearing in person and submitting a later dated proxy or voting at the annual meeting.

Attendance at the annual meeting will not by itself constitute a revocation of a proxy; to revoke your proxy, you must complete and submit a ballot at the annual meeting or submit a later dated proxy.

You should send any written notice of revocation or subsequent proxy to NBT Bancorp Inc., 52 South Broad Street, Norwich, New York 13815, Attention: Corporate Secretary, or hand deliver the notice of revocation or subsequent proxy to the Corporate Secretary at or before the taking of the vote at the annual meeting. You may also revoke your proxy by telephone or via the Internet by giving a new proxy over the telephone or the Internet prior to 11:59 p.m. on May 5, 2008.

If you hold shares through a bank or brokerage firm, you must contact that firm to revoke any prior voting instructions. You may also vote in person at the annual meeting if you obtain a legal proxy as described above.

Solicitation of Proxies and Costs

We will bear our own costs of soliciting of proxies. We will reimburse brokerage houses, fiduciaries, nominees and others for their out-of-pocket expenses in forwarding proxy materials to owners of shares of our common stock held in their names. In addition to the solicitation of proxies by use of the mail, we may solicit proxies from our shareholders by directors, officers and employees acting on our behalf in person or by telephone, facsimile or other appropriate means of communications. We will not pay any additional compensation, except for reimbursement of reasonable out-of-pocket expenses, to our directors, officers and employees in connection with the solicitation. You may direct any questions or requests for assistance regarding this proxy statement to Michael J. Chewens, Senior Executive Vice President of NBT, by telephone at (607) 337-6520 or by e-mail at mjchewens@nbtbci.com.

Annual Report

A copy of the Company’s 2007 Annual Report accompanies this Proxy Statement. NBT is required to file an annual report on Form 10-K for its 2007 fiscal year with the Securities and Exchange Commission (the “SEC”). Shareholders may obtain, free of charge, a copy of the Form 10-K by writing to: NBT Bancorp Inc., 52 South Broad Street, Norwich, New York 13815, Attention: Corporate Secretary. Our annual report on Form 10-K is available on our website, www.nbtbancorp.com.

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REGARDLESS OF THE NUMER OF SHARES YOU OWN, YOUR VOTE IS IMPORTANT TO US. PLEASE COMPLETE, SIGN, DATE AND PROMPTLY RETURN THE ACCOMPANYING PROXY CARD IN THE ENCLOSED POSTAGE-PAID ENVELOPE OR VOTE BY TELEPHONE OR VIA THE INTERNET USING THE TELEPHONE NUMBER OR THE INTERNET ADDRESS ON YOUR PROXY CARD.

PROPOSAL 1

SIZE OF THE BOARD OF DIRECTORS

Our Bylaws provide for a Board consisting of a number of directors, not less than five nor more than twenty-five, as shall be designated by our shareholders as of each annual meeting. Our Board is presently comprised of fourteen members. Messrs. Gregory, Horger and Ms. Ingraham, whose terms expire as of the 2008 annual meeting, have advised the Company that they intend to retire from the Board effective as of the annual meeting, at which point the Company will have eleven directors. Accordingly, the Board has proposed that the shareholders vote to fix the number of directors constituting the full Board at eleven members.

The Board of Directors unanimously recommends that shareholders vote "FOR" fixing the size of the Board of Directors at eleven members.

PROPOSAL 2

ELECTION OF DIRECTORS

At the annual meeting, two 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 fourteen 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. Santangelo and Chojnowski, whose terms expire at the 2008 annual meeting, have been nominated to stand for re-election at the 2008 annual meeting for terms expiring in 2011. Messrs. Gregory, Horger and Ms. Ingraham, whose terms expire as of the 2008 annual meeting, have advised the Company that they intend to retire from the Board effective as of the annual meeting. As of October 22, 2007, Mr. Michael Hutcherson resigned from the Board of Directors of the Company to commit more time to his insurance agency. The Board greatly appreciates their service and contributions to the success of the Company and NBT Bank (the "Bank").

The persons named in the enclosed proxy intend to vote the shares of our common stock represented by each proxy properly executed and returned to us FOR election of the following nominees as directors, but if the nominees should be unable to serve, they will vote such proxies for those substitute nominees as our Board shall designate to replace those nominees who are unable to serve. Our Board currently believes that each nominee will stand for election and will serve if elected as a director. Assuming the presence of a quorum at the annual meeting, the two director nominees for the class expiring at the 2011 annual meeting will be elected by a plurality of the votes cast by the shares of common stock entitled to vote at the annual meeting and present in person or represented by proxy. This means that the two nominees who receive the most votes will be elected. There are no cumulative voting rights in the election of directors.

BENEFICIAL OWNERSHIP AND RELATED INFORMATION FOR NOMINEES, CONTINUING DIRECTORS AND NON-DIRECTOR EXECUTIVE OFFICERS

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 12/31/07	Principal Occupation During Past Five Years and Other Directorships	Director Since	Number of Common Shares Beneficially Owned on 12/31/07		Percent of Shares Outstanding
Nominees with terms expiring in 2011:						
Richard Chojnowski	65	Electrical contractor (sole proprietorship)	2000	6,608	(1)	
		Directorships:		264,353	(2)	
		Pennstar Bank since 1994		8,004	(3)	
				278,965		*
Joseph A. Santangelo	55	President and CEO – Arkell Hall Foundation Inc.	2001	8,472	(1) (f)	
		Directorships:		4,808	(2)	
		NBT Bank since 1991		6,754	(3)	
				20,034		*
Continuing Directors with terms expiring in 2010:						
Daryl R. Forsythe	64	Chairman of NBT since January 2004;	1992	116,101	(1) (f)	
		Chairman of NBT Bank since January 2004;		1,842	(1) (a)	
		Chairman and CEO of NBT from January 2004 to		1,115	(1) (b)	
		December 2005; Chairman, President and CEO of NBT		9,369	(2)	
		From April 2001 to December 2003; Chairman and		2,000	(3)	
		CEO of NBT Bank from September 1999 to		90,772	(4)	
		December 2003; President and CEO of NBT and		221,199		*
		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	70	Retired attorney-at-law; County Solicitor and	2000	97,602	(1)	
		District Attorney of Pike County, PA		7,971	(3)	
		Directorships:		105,573		*
		Pennstar Bank since 1985				
William L. Owens	58	Partner, law firm of Stafford, Owens, Curtin &	1999	10,426	(1)	
		Trombley, PLLC		5,161	(3)	
		Directorships:		15,587		*
		Champlain Enterprises, Inc.				
		Mediquest, Inc.				
		Champlain Valley Health Network Inc.				
		SUNY Plattsburgh College Council				
		NBT Bank since 1995				
Patricia T. Civil	58	Retired Managing Partner, PricewaterhouseCoopers LLP	2003	6,465	(1)	
		Directorships:		4,504	(3)	
		Unity Mutual Life Insurance Company		10,969		*
		Syracuse Research Corp.				
		Anaren, Inc.				
		NBT Bank since 2003				
Robert A. Wadsworth	59	Chairman and CEO of Preferred Mutual Insurance Co.	2006	2,948	(1)	
		Directorships:		526	(3)	
		Preferred Mutual Insurance Company		164,041	(d)	
		Preferred Services Corp.		167,515		*
		Preferred of New York Inc.				
		Excess Reinsurance Company				
		Guilderland Reinsurance Company				
		NBT Bank since 2005				

Photos of the NBT Bancorp Board of Directors can be found on Page 12.

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Name	Age at 12/31/07	Principal Occupation During Past Five Years and Other Directorships	Director Since	Number of Common Shares Beneficially Owned on 12/31/07	Percent of Shares Outstanding
Continuing Directors with terms expiring in 2009:					
Martin A. Dietrich	52	CEO of NBT since January 2006;	2005	34,424 (1)	
		President of NBT since January 2004;		848 (1) (a)	
		President and CEO of NBT Bank since		23,242 (1) (b)	
		January 2004; President and Chief Operating		14,544 (2)	
		Officer of NBT Bank from September 1999		158,846 (4)	
		to December 2003		6,000 (c)	
		Directorships:		755 (g)	
		Preferred Mutual Insurance Company		238,659	*
		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	57	President and CEO of I.L. Richer Co. (agri. business)	1994	(1) (e) 25,707 (f)	
		Directorships:		3,497 (2)	
		Preferred Mutual Insurance Company		(3) 6,752	
		New York Agricultural Development Corp		35,956	*
		NBT Bank since 1993			
Joseph G. Nasser	50	Accountant, Nasser & Co.	2000	(1) (f) 42,215	
		Directorships:		415 (1) (a)	
		Pennstar Bank since 1999		11,449 (2)	
				5,162 (3)	
				59,241	*
Michael M. Murphy	46	President & Owner, Red Line Towing Inc.	2002	12,982 (1)	
		Directorships:		1,635 (1) (a)	

		Pennstar Bank since 1999		38,677	(2)	
				5,904	(3)	
				59,198		*
Retiring Directors:						
Dr. Peter B. Gregory	72	Partner, Gatehouse Antiques	1987	95,042	(1)	
		Directorships:		60,179	(1) (a)	
		NBT Bank since 1978		7,942	(3)	
				163,163		*
Janet H. Ingraham	70	Professional Volunteer	2002	17,234	(1)	
		Directorships:		528	(1) (a)	
		Chase Memorial Nursing Home Corp.		4,062	(3)	
		NBT Bank since 1996		21,824		*
Paul D. Horger	70	Partner, law firm of Oliver, Price & Rhodes	2002	17,384	(1)	
		Directorships:		6,004	(3)	
		Pennstar Bank since 1997		23,388		*

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Photos of the NBT Bancorp Board of Directors can be found on Page 12.

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 12/31/07			Percent of Shares Outstanding
Michael J. Chewens	46	Senior Executive Vice President, Chief Financial Officer	11,766	(1)		
		of NBT and NBT Bank since January 2002; EVP, CFO	14,800	(1)	(b)	
		of same 1999-2001; Secretary of NBT and NBT Bank	52,221	(4)		
		since December 2000	78,787			*
David E. Raven	45	President of Retail Banking of NBT Bank since July 2006;	18,802	(1)	(f)	
		President and Chief Executive Officer of Pennstar Bank	14,641	(1)	(b)	
		Division since August 2005; President and Chief	93,316	(4)		
		Operating Officer of Pennstar Bank Division from	126,759			*
		August 2000 to August 2005; Sales and Administration,				
		September 1999 – August 2000				
Jeffrey M. Levy	46	Executive Vice President, President of Commercial	4,628	(1)		
		Banking of NBT Bank since December 2006; Capital	1,439	(1)	(b)	
		Region President since August 2005; Manager New York	18,600	(4)		
		State Government Banking at M & T Bank, January	24,667			*
		2004 – August 2005; President of the Capital District,				
		Commercial Banking at M & T Bank, January 2001 –				
		December 2003				

As of December 31, 2007, all directors and executive officers listed above as a group beneficially owned 1,651,484 or 5.11% of total shares outstanding as of December 31, 2007, 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, 2007. Based on currently available Schedules 13D and 13G filed with the SEC, we do not know of any person who is the beneficial owner of more than 5% of our common stock.

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 65,447 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, 2007 totaling 55,237 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: Daryl R. Forsythe 75,000 shares; John C. Mitchell 20,555 shares; Joseph G. Nasser 2,800 shares; Peter B. Gregory 18,517 shares; Joseph A. Santangelo 7,544 shares; and David E. Raven 7,593 shares.
(g) Martin A. Dietrich is the custodian for a minor(s).

(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, 2007.
(4) Shares under option from the NBT 1993 Stock Option Plan, which are exercisable within sixty days of December 31, 2007.
(*) Less than 1%.

The Board of Directors unanimously recommends that shareholders vote "FOR" the election of all of its director nominees.

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. Forsythe and 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. Forsythe is not independent because he was an executive officer of the Company within the past three years. 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 2007, the Board held five 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 Shareholder Meeting. All directors were in attendance at the 2007 Annual Meeting and we expect that all directors will be present at the 2008 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, Dr. Peter B. Gregory, Paul D. Horger, Janet H. Ingraham 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 a successful evolution of management at the senior level. 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 2007.

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 on page 33. 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 2007. Responsibilities and duties of this Committee are discussed more fully in the Audit and Risk Management Committee Report on page 33 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 for the named executive officers to the Board of Directors, 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, or "Mercer", a global human resources consulting firm, to conduct an annual review of its executive compensation program. 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 our pension plan, 401(k)/ESOP, the directors' and officers' stock option plans, as well as the restricted, deferred and performance share stock plans. In addition, if approved by the shareholders, the Committee will also administer the 2008 Omnibus Incentive Plan. Pursuant to the terms of the Company's 2006 Non-Executive Restricted Stock 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 delegative 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 2007.

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 2007, 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 1/3 annually beginning on the first anniversary of the grant date and the restricted stock awarded to the Chairman of the Board vests 1/2 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 2007.

Director Compensation Table

Name (a)	Fees Earned or Paid in Cash ($) (b)	Restricted Stock Awards ($) (1) (3) (c)	Stock Option Awards ($) (2) (4) (d)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (5) (f)	All Other Compensation ($) (6) (g)	Total ($) (h)
Daryl R. Forsythe	$ 29,000	$ 63,453	$ 24,550		$ 24,886	$ 141,889
Richard Chojnowski	$ 25,900	$ 22,972	$ 7,365		$ 5,117	$ 61,354
Patricia T. Civil	$ 27,700	$ 22,972	$ 7,365	$ 8,633	$ 2,598	$ 69,269
Dr. Peter B. Gregory	$ 25,600	$ 22,972	$ 7,365		$ 5,225	$ 61,162
William C. Gumble (7)	$ 23,500	$ 22,972	$ 7,365		$ 5,018	$ 58,855
Paul D. Horger	$ 25,300	$ 22,972	$ 7,365	$ 22,582	$ 2,342	$ 80,561
Michael H. Hutcherson	$ 18,100	$ 22,972	$ 6,751		$ 1,732	$ 49,555
Janet H. Ingraham	$ 25,300	$ 22,972	$ 16,082	$ 1,976	$ 2,342	$ 68,672

John C. Mitchell	$ 20,800	$ 22,972	$ 8,838		$ 2,342	$ 54,952
Michael M. Murphy	$ 26,500	$ 22,972	$ 7,740		$ 2,342	$ 59,554
Joseph G. Nasser	$ 26,800	$ 22,972	$ 7,365		$ 2,342	$ 59,479
William L. Owens	$ 28,000	$ 22,972	$ 7,365		$ 5,492	$ 63,829
Joseph A. Santangelo	$ 27,100	$ 22,972	$ 7,365		$ 2,598	$ 60,036
Robert A. Wadsworth	$ 18,700	$ 22,972	$ 6,751	$ 1,750	$ 1,298	$ 51,471

NOTES:

(1) The amounts in column (c) reflect the dollar amount recognized for financial statement reporting purposes for the fiscal year ended December 31, 2007, disregarding any estimates of forfeitures due to service-based vesting conditions. The calculation of these amounts assumes full vesting and is calculated by multiplying the shares earned times the fair market value on the National Market System of Nasdaq on the respective performance period end date of December 31, 2007. As of December 31, 2007, each director held the following number of unvested restricted shares: Daryl R. Forsythe 3,384; Richard Chojnowski 1,284; Patricia T. Civil 1,284; Dr. Peter B. Gregory 1,284; William C. Gumble 1,284; Paul D. Horger 1,284; Janet H. Ingraham 1,284; John C. Mitchell 1,284; Michael M. Murphy 1,284; Joseph G. Nasser 1,284; William L. Owens 1,284; Joseph A. Santangelo 1,284; and Robert A. Wadsworth 939.

(2) The amounts in column (d) reflect the dollar amount recognized for financial statement reporting purposes for the fiscal year ended December 31, 2007 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, 2007. As of December 31, 2007, each director held the following number of unvested/vested and unexercised option awards: Daryl R. Forsythe 8,000 unvested and 92,772 vested; Richard Chojnowski 3,552 unvested and 7,578 vested; Patricia T. Civil 3,552 unvested and 4,078 vested; Dr. Peter B. Gregory 3,539 unvested and 7,529 vested; William C. Gumble 3,534 unvested and 7,554 vested; Paul D. Horger 3,552 unvested and 5,578 vested; Janet H. Ingraham 5,452 unvested and 3,636 vested; John C. Mitchell 4,042 unvested and 6,325 vested; Michael M. Murphy 3,652 unvested and 5,478 vested; Joseph G. Nasser 3,432 unvested and 4,736 vested; William L. Owens 3,527 unvested and 4,760 vested; Joseph A. Santangelo 3,552 unvested and 6,328 vested; and Robert A. Wadsworth 2,101 unvested and 484 vested.

(3) All director restricted stock awards for fiscal year ending December 31, 2007, were issued as of May 1, 2007 and the per share fair market value was $22.39.

(4) All director stock option awards for fiscal year ending December 31, 2007, with the exception of Ms. Ingraham & Mr. Murphy, were issued as of May 1, 2007 and the per share fair market value was $4.91. Ms. Ingraham received awards on the following dates: February 26, 2007, May 1, 2007, May 2, 2007, July 27, 2007 and October 30, 2007 with per share fair market values of $6.30, $4.91, $4.85, $3.35 and $5.83, respectively. Mr. Murphy received awards on the following dates: May 1, 2007 and August 8, 2007 with per share fair market values of $4.91 and $3.75, respectively.

(5) Figures in the change in pension value and nonqualified deferred compensation earnings represent earnings for fiscal year ending December 31, 2007 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 $32,091; health and/or dental/vision insurance offered through the Company for seven Directors, the Company's associated premium costs totaled $17,739; an annual cash payment of $207 to Dr. Peter B. Gregory in lieu of a life insurance premium that was paid from an acquired financial institution; $13,086 for annual premiums paid to provide long-term care insurance for the benefit of Mr. Forsythe and his spouse; and $2,550 for the dollar value of split dollar life insurance premiums paid during the 2007 fiscal year on behalf of Mr. Forsythe.

(7)

During 2007 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.

NBT BANCORP BOARD OF DEIRECTORS

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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, or CEO, its Chief Financial Officer, or CFO, and the other individuals included in the Summary Compensation Table on page 21 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

Mercer provides, and the Compensation and Benefits Committee analyzes and uses, compensation data from other companies 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 2007: Chittenden Corp, Northwest Bancorp, Community Bank System, S&T Bancorp, First Commonwealth Financial, Sterling Financial, First Niagara Financial Group, Susquehanna Bancshares, Harleysville National, TrustCo Bank (NY), National Penn Bancshares, and USB Holding.

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 2007, targeted total direct compensation for the named executive officers approximates the median in the aggregate.

Components of Executive Compensation

During 2007, 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 2007, base salary, cash incentive pay and long-term equity based compensation comprised 69%, 78%, 81%, and 85% 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.

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.

Executive Compensation Overview

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 employees in direct alignment with shareholder interests. The use of performance-accelerated restricted stock not only aligns executives 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 performance.	Link award to stock appreciation, limiting compensation to only the increase in share value.	Summary Compensation Table 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	Defined benefit pension plan and 401(k)/ESOP are part of the Company's broad-based employee pay program.	Summary Compensation Table Pension Benefits Table

	executive officers, Supplemental Executive Retirement Plan, or SERP, which is a non- tax qualified retirement plan.	Market competitive practice.	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 the executives to the positions and retaining them. 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 2007 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 2007, the base salaries for the named executive officers, upon recommendation by the CEO and as determined by the Committee, remained at the 2006 year-end level. While the Committee considered each of the factors above, it based its executive salary decision substantially on the interest rate environment that continued in 2007, which was characterized by a yield curve that put sustained pressure on net interest income and earnings. This decision was a component of the budget approved by our Board, which sought to offset the reduction in net interest margin by controlling non-interest expense, including executive compensation. The base salary for each of the named executive officers is reflected in column (c) of the Summary Compensation Table on page 21. Mr. Dietrich's base salary in 2007 was $450,000, and will be $495,000 in 2008. Mr. Chewens' base salary was $325,000 in 2007 and will be $345,000 in 2008. Mr. Raven's base salary was $305,000 in 2007 and will be $330,000 in 2008. Mr. Levy's base salary was $198,600 in 2007 and will be $208,600 in 2008.

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 or 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 2007, the Committee established an EICP and determined a baseline earnings threshold, a maximum earnings threshold and interim earnings levels between baseline and maximum. If the baseline threshold was not achieved, awards would not be made under the Plan (irrespective of the named executive officer's individual performance). If the Company's actual earnings were equal to or greater than the baseline threshold, the named executive officers would be eligible for awards to be determined in accordance with the respective level of earnings.

In addition to corporate earnings goal 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 business 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 2007.

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. These percentages are determined based on the market competitiveness and comparison of the individual named executive officers' roles and responsibilities. In 2007 consideration was also given to the Company's flat earnings projection, and potential payouts were significantly reduced over previous years of projected growth.

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	25%	23.5%	15.5%
Level 2	50%	47%	31%
Level 3	60%	56%	38%
Level 4	70%	66%	44%
Level 5	80%	75%	50%

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 3 and the named executive officer was at an Executive Level B-1, the maximum payout would be 56% of base salary.

Irrespective of individual performance, no awards for fiscal 2007 were made to the named executive officers under the EICP in January 2008 because the Company did not achieve the established baseline earnings in 2007 as provided by the EICP.

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 2007 were based on increased diluted earning per share (EPS) over the one year period ending December 31, 2007. The EPS measure was chosen because it best reflects the value NBT provides to the shareholders. The Committee believes that these objectives are challenging and require significant individual achievement to be met.

Stock Option Plan

The Company's 1993 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.

Omnibus Plan

The Board of Directors approved the 2008 Omnibus Incentive Plan on January 28, 2008, subject to approval from our shareholders at the Annual Meeting. If approved, the Omnibus Incentive Plan will be 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 Performance Share Plan, and will also replace the Company's Non-Employee Directors Restricted and Deferred Stock Plan, Non-Employee Director, Divisional Director and Subsidiary Director Stock Option Plan and 2006 Non-Executive Restricted Stock Plan. All outstanding awards under the existing plans will remain outstanding; however, no further awards will be granted pursuant to such plans if the Omnibus Incentive Plan is approved by shareholders at the Annual Meeting. The proposed Omnibus Incentive Plan, if approved, would not have a substantive effect on the elements of compensation that comprise each named executive officer's total compensation package. Under the Omnibus Incentive Plan, the Company will continue to provide each named executive officer with annual and long-term incentives in the form of cash and share-based awards with terms similar to those discussed in this Compensation Discussion and Analysis. For more information regarding the Omnibus Incentive Plan, including awards to the named executive officers which the Committee has recommended for consideration by the full Board of Directors if the Omnibus Incentive Plan is approved by shareholders, see "Proposal 4 — Approval of the NBT Bancorp Inc. 2008 Omnibus Incentive Plan."

Equity-Based Incentive Compensation

As shown in the table below, Messrs. Dietrich, Chewens, Raven and Levy received the following awards under the Stock Option Plan and the Performance Share Plan. In granting these awards, the Committee considered peer group and market data, as well as individual performance contributing to the Company's success. No Performance Share Awards were made to the named executive officers under the Performance Share Plan in January 2008 as a result of the Company not attaining the specified performance goals set by the Committee.

Named Executive Officer	Option Awards	Performance Share Awards
Dietrich	28,000	0
Chewens	20,000	0
Raven	19,000	0
Levy	9,000	0

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 25, 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, or SERP, which provide the executive with supplemental retirement benefits. The SERPs are embodied in agreements between the Company and the executives, and are principally designed to restore benefits that would have been paid to the 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 Non Qualified Deferred Compensation Table on page 26 contains a detailed description of the SERPs.

401(k) & Employee Stock Ownership Plan (ESOP)

The 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 an employer non-elective amount to the ESOP based on the performance of the Company up to 3% of base pay. In 2007, the discretionary contribution for the 401(k) and the ESOP were both at 0.5% of base pay. All Company contributions to this retirement plan are made in the form of Company 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 (h) in the Summary Compensation Table on page 21 includes the dollar value of the stock contributed by the Company under the 401(k) & ESOP plan to each of the named executive officers.

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 2007, these benefits included the use of Company owned cars, policies of disability, life, 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 a benefit payable by the insurance company to a beneficiary selected by the named executive officer upon his death. 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 21. The aggregate amounts of perquisites and other personal benefits paid to each of the named executive 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 within five years. Failure to meet the guidelines could, at the Committee's discretion, affect future stock option awards. As of December 31, 2007, 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 stock-based payments, including those made in its Stock Option Plan and Performance Share Plan, in accordance with the requirements of the Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), "Share-Based Payment", ("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 each of the next four most highly compensated executive officers for the taxable year unless the compensation is qualifying performance based compensation that meets certain specified criteria under section 162(m) of the Internal Revenue Code. These specified criteria include, among other requirements, shareholder approval of the applicable plan or arrangement, shareholder approval of performance criteria, and the setting of limits on awards and compensation. While the Committee recognizes the importance of tax deductibility, it believes that it is critical to balance tax deductibility with ensuring that the Company's programs are designed appropriately to recognize and reward executive performance. Thus, the Committee reviews tax consequences as well as other relevant considerations when making compensation decisions within the context of the overall operation of the Company's compensation program and considers what actions should be taken, if any, to operate the compensation program in a tax-effective manner.

Section 409A of the Internal Revenue Code was signed into law on October 22, 2004, changing the tax rules applicable to nonqualified deferred compensation plans and arrangements. Section 409A applies to most forms of deferred compensation, including but not limited to, nonqualified deferred compensation plans of arrangements, certain stock based awards, and severance arrangements. Under Section 409A, any severance payments made to a named executive officer on termination from employment pursuant to an employment or change in control agreement that do not comply with Section 409A, any deferrals under a nonqualified deferred compensation plan, that does not comply with Section 409A, or any stock option award granted with an exercise price of less than fair market value on the date of grant will be subject to a 20% excise tax payable by the named executive. The Company believes it is operating in good faith compliance with the statutory provisions in effect. The Nonqualified Deferred Compensation Table on page 26 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, 2007. 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, 2007 compensation for the named executive officers consisted of 54% cash payments and 24% equity awards, and 56% and 44% in short-term and long-term compensation respectively. Mr. Dietrich's compensation was comprised of 42% cash payments and 27% equity awards, and 43% and 57% in short-term and long-term compensation respectively.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Stock Awards ($) (1)	Option Awards ($) (2)	Non-Equity Incentive Plan Compensation Earnings ($) (4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (5)	All Other Compensation ($) (9)	To
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	
Martin A. Dietrich	2007	$450,000	$0.00	$271,370 (3)	$0.00	$306,144 (6)	$35,188	$1,
President & Chief Executive	2006	$450,000	$142,560	$155,193	$247,500	$239,963 (6)	$27,241	$1,
Officer of NBT and NBT Bank								
Michael J. Chewens	2007	$325,000	$0.00	$140,042	$0.00	$117,598 (7)	$25,530	$6
Senior Executive Vice President,	2006	$325,000	$99,792	$113,808	$167,375	$98,897(7)	$20,431	$8
Chief Financial Officer and								
Secretary of NBT and NBT Bank								
David E. Raven	2007	$305,000	$0.00	$133,040	$0.00	$84,179 (8)	$28,377	$5
President of Retail Banking of	2006	$290,000	$99,792	$103,462	$157,075	$90,619 (8)	$24,792	$7
NBT Bank, President and Chief								
Executive Officer Pennstar								
Bank Division								
Jeffrey M. Levy	2007	$198,600	$0.00	$63,019	$0.00	$9,645	$39,702	$3
President of Commercial	2006	$176,816	$14,256	$25,866	$65,101	$2,828	$24,821	$3

Banking and Capital Region

President of NBT Bank

NOTES:

(1) The amounts in column (d) reflect the dollar amount recognized for financial statement reporting purposes for the fiscal year ended December 31, 2007, disregarding any estimates of forfeitures due to service-based vesting conditions. The calculation of these amounts assumes full vesting and is calculated by multiplying the shares earned times the fair market value on the National Market System of Nasdaq on the respective performance period end date of December 31, 2007.

(2) The amounts in column (e) reflect the dollar amount recognized for financial statement reporting purposes for the fiscal year ended December 31, 2007 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, 2007.

(3) This amount includes $75,311 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 $196,059 relates to an initial option grant that was awarded to Mr. Dietrich on January 1, 2007. Both awards were issued pursuant to the NBT Bancorp Inc. 1993 Stock Option Plan.

(4) The amounts in column (f) reflect cash awards to the named executives under the EICP in 2006.

(5) 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 and includes amounts which the named executive officer may not currently be entitled to receive because such amounts are not vested.

(6) In column (g), for Mr. Dietrich, 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 Supplemental Retirement Agreement, 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 Supplemental Retirement Agreement.

(7) In column (g), for Mr. Chewens, 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 Supplemental Retirement Agreement, 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 Supplemental Retirement Agreement.

(8) In column (g), for Mr. Raven, 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 Supplemental Retirement Agreement, 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 Supplemental Retirement Agreement.

(9) 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 the 401(K) & ESOP (See page 19 under the heading "Retirement Plans")	2007	$9,000	$9,000	$9,000	$9,000
	2006	$8,800	$8,800	$8,800	$8,672
Value of life and disability insurance premiums paid by the Company (See page19 under the heading "Perquisites and Other Personal Benefits")	2007	$4,614	$4,181	$2,098	$5,360
	2006	$4,614	$3,784	$1,718	$5,348
Value of dividends or other earnings paid on stock or option awards not included within the FAS 123R pursuant to the Performance Share Plan and Stock Option Plan (See page 18 under the headings of "Performance Share Plan" and "Stock Option Plan")	2007	$12,640	$8,848	$8,848	$1,304
	2006	$7,980	$5,586	$5,586	$836
Value of Perquisites and Other Personal Benefits	2007	$0	$0	$0	$24,038(a)
	2006	$0	$0	$0	$0

(a) The amount shown for Mr. Levy for Perquisites and Other Personal Benefits consists of an auto 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	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Thresh-old (#)	Target (#)	Maxi-mum (#)	All Other Option Awards: Number of Securities Underlying Options (#) (3)	Exercise or Base Price of Option Awards ($/Sh) (4)	Grant Date Fair Market Value ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
Martin A. Dietrich	1/1/2007	$112,500	$112,500	$360,000	5,000	5,000	8,000			$129,600
	1/1/2007							28,000	$25.762	$196,059
	12/27/2007							12,641(5)	$24.5692	$75,311
Michael J. Chewens	1/1/2007	$76,375	$76,375	$243,750	3,500	3,500	5,600			$90,720
	1/1/2007							20,000	$25.762	$140,042
David E. Raven	1/1/2007	$71,675	$71,675	$228,750	3,500	3,500	5,600			$90,720
	1/1/2007							19,000	$25.762	$133,040
Jeffrey M. Levy	1/1/2007	$30,783	$30,783	$99,300	1,500	1,500	2,400			$38,880
	1/1/2007							9,000	$25.762	$63,019

NOTES:

(1) Estimated Possible Payouts Under Non-Equity Incentive Plan Awards are a product of a percentage of base salary in accordance with the 2007 Executive Incentive Compensation Plan, a detailed description of which appears on page 16.

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

(3) 2007 Stock Option awards were issued pursuant to the NBT Bancorp Inc. 1993 Stock Option 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 NBT Bancorp Inc. 1993 Stock Option Plan.

(5) Option award relates to a reload option granted upon the cash exercise of an initial option grant that was awarded to Mr. Dietrich on January 27, 1998 and was issued pursuant to the NBT Bancorp Inc. 1993 Stock Option 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	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)(1)
(a)	(b)	(c)	(d)	(e)	(f)	(g)
Martin A. Dietrich	0	12,641	$24.5692 (3)	12/27/2017		
	0	28,000	$25.7620 (2)	1/1/2017		
	12,000	18,000	$22.3520 (2)	1/1/2016		
	6,470	0	$24.4458 (3)	8/1/2015		
	13,455	8,968	$23.2708 (2)	1/20/2015		
	3,840	0	$22.2050 (3)	2/11/2014		
	17,049	4,262	$22.1715 (2)	1/1/2014		
	24,000	0	$17.5380 (2)	1/1/2013		
	36,200	0	$14.3492 (2)	1/28/2012		
	4,346	0	$16.2270 (3)	8/3/2011		
	15,540	0	$20.5952 (2)	1/26/2009		
					16,000	$365,120
Michael J. Chewens	0	20,000	$25.7620 (2)	1/1/2017		
	8,800	13,200	$22.3520 (2)	1/1/2016		
	10,505	7,002	$23.2708 (2)	1/20/2015		
	13,612	3,403	$22.1715 (2)	1/1/2014		
					11,200	$255,584
David E. Raven	0	19,000	$25.7620 (2)	1/1/2017		
	8,000	12,000	$22.3520 (2)	1/1/2016		
	1,543	0	$23.1133 (3)	1/26/2015		
	9,774	6,515	$23.2708 (2)	1/20/2015		
	12,665	3,166	$22.1715 (2)	1/1/2014		

	18,450	0	$17.5380 (2)	1/1/2013		
	17,400	0	$16.0625 (2)	1/22/2011		
	2,315	0	$19.4886 (3)	7/7/2009		
	5,145	0	$20.5952 (2)	1/26/2009		
					11,200	$255,584
Jeffrey M. Levy	0	9,000	$25.7620 (2)	1/1/2017		
	2,000	3,000	$22.3520 (2)	1/1/2016		
	12,000	8,000	$23.2930 (2)	10/1/2015		
					1,650	$37,653

NOTES:

(1) The market values of these shares are based on the closing market price of the Company's common stock on the NASDAQ Stock Market of $22.82 on December 31, 2007.

(2) Option was issued pursuant to the NBT Bancorp Inc. 1993 Stock Option Plan and each grant vests 40% after one year, 20% annually for the following three years.

(3) Reload option granted upon cash exercise of initial option grant, issued pursuant to the NBT Bancorp Inc. 1993 Stock Option Plan. Each reload grant vests 100% two years after the date of its grant.

Option Exercises and Stock Vested

The following table provides information about options exercised under the Stock Option Plan and shares vested under the Performance Share Plan.

	Option Awards		Restricted Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($) (1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (2) ($)
(a)	(b)	(c)	(d)	(e)
Martin A. Dietrich	12,641	$80,978	0	$0
Michael J. Chewens	25,855	$193,270	0	$0
David E. Raven	0	$0	0	$0
Jeffrey M. Levy	0	$0	0	$0

NOTES:

(1) The "Value Realized on Exercise" is equal to the difference between the option exercise price and the fair market value on the National Market System of Nasdaq on the date of exercise.

(2) The "Value Realized on Vesting" is equal to the per share market value of the underlying shares on the vesting date multiplied by the number of shares acquired on vesting.

Pension Benefits Table

The following table includes information about the named executive officers' benefits under the Company's defined benefit pension plan and the individual SERP's.

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (1) ($)	Payments During Last Fiscal Year ($)
(a)	(b)	(c)	(d)	(e)
Martin A. Dietrich	NBT Bancorp Inc. Defined Benefit Plan	22.2500	$1,089,980	$0
	Dietrich SERP	7.0000	$ 458,224	$0

Michael J. Chewens	NBT Bancorp Inc. Defined Benefit Plan	12.0000	$639,237	$0
	Chewens SERP	7.0000	$ 0	$0
David E. Raven	NBT Bancorp Inc. Defined Benefit Plan	10.0000	$330,609	$0
	Raven SERP	4.0000	$ 0	$0
Jeffrey M. Levy	NBT Bancorp Inc. Defined Benefit Plan	2.0000	$ 12,473	$0

NOTES:

(1) The above amounts were computed using the following significant assumptions:

Mortality – The RP-2000 Mortality Table for males and females

Discount Rate – 6.30%

Salary Increases – 3.00% for Defined Benefit Plan Benefits, 3.75% for SERP benefits

Interest Rate Credit for determining projected cash balance account – 4.75%

Interest rate to annuitize cash balance account – 6.00%

Mortality to annuitize cash balance account - This table is currently a 50/50 blend of the sex distinct combined annuitant/non-annuitant mortality tables prescribed by the Internal Revenue Service for determine the “Funding Target Liability” for 2008.

Assumed Retirement Age – Retirement rates for ages 55-66 for Defined Benefit Plan Benefits, age 60 for Dietrich SERP, age 62 for Chewens SERP and Raven SERP

Credited service under the Defined Benefit Plan is based on date of participation, not date of hire; the first year of service is excluded. Credited service under the SERP is earned from the effective date of the agreement.

Our executives participate in the NBT Bancorp Inc. Defined Benefit Pension Plan (the "Pension Plan"). This plan is a noncontributory, tax-qualified defined benefit pension plan. Eligible employees are those who have attained age 21 and have completed one year of service in which the employee worked at least 1,000 hours. The plan provides for 100% vesting after five years of qualified service. Benefits payable as an annuity at age 65 are reduced 3% per year for early retirement. Early retirement eligibility is age 55 with 3 years of service. None of the named executives are eligible for early retirement as of December 31, 2007. All but Levy are 100% vested as of December 31, 2007. All are vested as of January 1, 2008. Prior to the amendment and restatement of the plan effective January 1, 2000, the plan had received a determination from the Internal Revenue Service that the plan was qualified under Section 401(a) of the Internal Revenue Code. The plan, as amended and restated effective January 1, 2000, received favorable determination effective October 11, 2007. The plan was converted to a defined benefit plan with a cash balance feature, effective January 1, 2000. Prior to that date, the plan was a traditional defined benefit pension plan. Each active participant in the Pension Plan as of January 1, 2000 was given a one-time irrevocable election to continue participating in the traditional defined benefit plan design or to begin participating in the new cash balance plan design. All employees who became participants after January 1, 2000 automatically participated in the cash balance plan design. Each of our named executive officers chose to participate in the cash balance plan design.

Under the cash balance plan design, hypothetical account balances are established for each participant and pension benefits are generally stated as the lump sum amount in that hypothetical account. Notwithstanding the preceding sentence, since a cash balance plan is a defined benefit plan, the annual retirement benefit payable at normal retirement (age 65) is an annuity, which is the actuarial equivalent of the participant's account balance under the cash balance plan. However, participants may elect, with the consent of their spouses if they are married, to have the benefits distributed as a lump sum rather than an annuity.

Benefits under the plan for 2007 are computed using a cash balance methodology for people who converted (as described hereafter) that provides for pay-based credits to the participants' hypothetical accounts equal to 5% to 38.5% (depending on age and other factors) on the first $225,000 of annual eligible compensation. Eligible compensation under the plan is defined as fixed basic annual salary or wages, commissions, overtime, cash bonuses, and any amount contributed by the Company at the direction of the participant pursuant to a salary reduction agreement and excludible from the participant's gross income under the Internal Revenue Code, but excluding any other form of remuneration, regardless of the manner calculated or paid, such as amounts realized from the exercise of stock options, severance pay or our cost for any public or private benefit plan, including the Pension Plan. In addition to the pay-based service credits, monthly interest credits are made to the participant's account balance based on the average annual yield on 30-year U.S. Treasury securities for the November of the prior year. For 2007, the pay-based credits for Messrs. Dietrich, Chewens, Raven, and Levy were 22%, 19%, 19%, and 5%, respectively. NBT's contributions to the Pension Plan in 2007 for Messrs. Dietrich, Chewens, Raven and Levy were $49,500, $42,750, $42,750, and $11,250, respectively.

Nonqualified Deferred Compensation

The following table includes information about the activity in, and balances of, the named executive officers' SERP's.

Name	Executive Contributions in Last FY ($)	Registrant Contributions in Last FY ($)	Aggregate Earnings in Last FY ($)	Aggregate Withdrawals / Distributions ($)	Aggregate Balance at Last FYE ($)
(a)	(b)	(c)	(d)	(e)	(f)

Martin A. Dietrich	$0	($145,225)1	($417)	$0	$458,224
Michael J. Chewens	$0	($117,750) 1	$2,133	$0	$0
David E. Raven	$0	($104,055) 1	$1,913	$0	$0
Jeffrey M. Levy	$0	$0	$0	$0	$0

1 The reduction in Registrant Contributions reflects an amendment in the Pension Plan, effective December 31, 2007, which increased the benefits in that Plan for Messrs. Dietrich, Chewens and Raven. Since the Pension Plan benefit is used as an offset to the benefit in the Supplemental Retirement Agreement for Messrs. Dietrich, Chewens, and Raven, the amendment caused a decrease in the Supplemental Retirement Agreement Benefit.

Section 415 of the Internal Revenue Code places certain limitations on pension benefits that may be paid from the trusts of tax-qualified plans, such as the plan. Because of these limitations and in order to provide certain executives with adequate retirement income, we have entered into supplemental retirement agreements which provide retirement benefits to the named executives in the manner discussed below. It should be noted that where applicable, the amounts payable under the Supplemental Retirement Agreements, as discussed in the following section, are offset by payments made under the Pension Plan, the annuitized employer portion of our 401(k)/ESOP and Social Security.

NBT has entered into agreements with Messrs. Dietrich, Chewens and Raven to provide the executive with supplemental retirement benefits, of which Mr. Dietrich's was revised most recently on January 20, 2006 (the "SERP"). The SERP provides each executive with an annual supplemental benefit at normal retirement, including (a) the annual benefit payable to the executive under our pension plan, (b) the annual benefit that could be provided by contributions by us and NBT Bank (other than the executive's elective deferrals) to our 401(k)/ESOP and the earnings on those amounts if these contributions and earnings were converted to a benefit payable under the agreement using the actuarial assumptions provided under the agreement, (c) his social security benefit and (d) the SERP, which will be equal to the greater of (1) a percentage (60% for Mr. Dietrich and 50% for Messrs. Chewens and Raven) of the executive's final average compensation (i.e., average annual base salary, commissions, bonuses and elective deferrals without regard to any Internal Revenue Code limitations on compensation applicable to tax qualified plans) or (2) the sum of the annual amount of the executive's benefit under our pension plan, calculated without giving effect to limitations and restrictions imposed by the Internal Revenue Code plus the annual benefit that could be provided by contributions by us and NBT Bank (other than the executive's elective deferrals) to our 401(k)/ESOP and the earnings on those amounts, calculated by disregarding the limitations and restrictions imposed by the Internal Revenue Code and using the actuarial assumptions set out in our pension plan, with the exception of a different salary scale assumption.

Reduced amounts will be payable under the SERP in the event the executive takes early retirement. If the executive dies leaving a surviving spouse, his spouse will be entitled to an annual benefit for life equal to the annual survivor annuity benefit under our pension plan, calculated without giving effect to limitations and restrictions imposed by the Internal Revenue Code, reduced by the surviving spouse benefit actually payable under such plan, plus a lump sum amount equal to contributions by us and NBT Bank (other than the executive's elective deferrals) to our 401(k)/ESOP, calculated by disregarding the limitations and restrictions imposed by the Internal Revenue Code, reduced by the amounts actually contributed to our 401(k)/ESOP, plus the earnings on such net amount. If the executive dies after attaining a certain age (age 58 for Mr. Dietrich and age 60 for Messrs. Chewens and Raven) and after he has retired, but before payment of benefits has commenced, the surviving spouse will receive an annual benefit equal to the excess, if any, of (1) the monthly amount the surviving spouse is entitled to under our pension plan, calculated without giving effect to limitations and restrictions imposed by the Internal Revenue Code, over (2) the monthly amount actually payable to the surviving spouse under our pension plan plus the monthly amount that is the actuarial equivalent of any supplemental retirement benefit payable to the surviving spouse. Except in the case of early retirement or death, payment of benefits will commence upon the first day of the month after the executive attains a certain age (age 60 for Mr. Dietrich and age 62 for Messrs. Chewens and Raven). Assuming Mr. Dietrich is currently 60 years old and retiring, Messrs. Chewens and Raven are currently 62 years old and retiring, satisfaction of applicable SERP conditions, and that each executive's 2007 compensation were his final average compensation as defined by the SERP, the estimated aggregate annual retirement benefit under the SERP, our cash balance pension plan, the annuitized employer portion of our 401(k)/ESOP and social security to be paid to Messrs. Dietrich, Chewens and Raven would be $418,500, $435,165 and $393,748, respectively. The social security portion of these amounts is assumed to commence at the Normal Social Security Retirement Age for each executive. The SERP for Messrs. Dietrich, Chewens and Raven will at all times be unfunded except that, in the event of a change in control, NBT will be required to transfer to a grantor trust an amount sufficient to cover all potential liabilities under the SERP.

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The following table and related footnotes describe and quantify the amount of post termination payments that would be payable to each of the named executive officers of the Company in the event of termination of such executive's employment as of December 31, 2007, under various employment related scenarios pursuant to the Employment Agreements and Change in Control Agreements entered into with each of the named executive officers. Due to the number of factors that affect the nature and amount of any benefits provided upon the events discussed below, any actual amounts paid or distributed may be different. Factors that could affect these amounts include the timing during the year of any such event, the company's stock price and the executive's age.

Potential Payments Upon Termination or Change in Control Table

Name	Benefit	Retirement ($)	Death1 ($)	Disability ($)	By NBT w/o Cause ($)	By NBT with Cause ($)	By Exec. w/o Good Reason ($)	By Exec. with Good Reason ($)	Change in Control2 ($)
Martin A. Dietrich	Accrued Unpaid Salary & Vacation	26,6543	26,654	26,654	26,654	26,654	26,654	26,654	26,654
	Severance4	-	-	-	1,350,0005	-	-	1,350,000	2,282,3746
	SERP7	-	-	-	-	-	-	-	1,494,1818
	Stock Options9	-	11,188	11,188	-	-	-	-	11,188
	Restricted Stock10	-	365,120	365,120	365,120	-	-	365,120	365,120
	Health & Welfare	-	-	344,64016	-	-	-	-	55,30711
	Sub-Total	26,654	402,962	747,602	1,741,774	26,654	26,654	1,741,774	4,234,824
	Tax Gross-up, if applicable	-	-	-	-	-	-	-	1,950,42512
	Total	26,654	402,962	747,602	1,741,774	26,654	26,654	1,741,774	6,185,249
Michael J. Chewens	Accrued Unpaid Salary & Vacation	16,87513	16,875	16,875	16,875	16,875	16,875	16,875	16,875
	Severance4	-	-	-	650,00014	-	-	650,000	2,076,74215
	SERP7	-	-	-	-	-	-	-	335,1058
	Stock Options9	-	8,384	8,384	-	-	-	-	8,384
		-	255,584	255,584	255,584	-	-	255,584	255,584

Restricted Stock10								
Health & Welfare	-	-	523,52616	-	-	-	-	53,96611
Sub-Total	16,875							