



Comptroller of the Currency
Administrator of National Banks

Northeastern District Office
1114 Avenue of the Americas, Suite 3900
New York, N.Y. 10036

Licensing Division
Telephone No.: 212.790.4055
Fax No.: 212.790.4098

**Conditional Approval #500
November 2001**

October 24, 2001

By facsimile: 202.776.7801
and regular mail.

Mark F. Pretzat, Esq
Duane, Morris & Heckscher LLP
1667 K Street, N.W. Suite 700
Washington, DC 20006

Re: Non Affiliated Combination - Application by NBT Bank, National Association , (“NBT “),
Norwich , NY, to merge with Central National Bank, Canajoharie, Canajoharie, NY.
NBT will be the resulting institution continuing to operate under its current charter.

Control No.: 2001-NE-02-0044

Charter No.: 1354

Dear Mr. Pretzat:

This is to inform you that today, the Office of the Comptroller of the Currency (OCC) conditionally approved the above-referenced merger.

This approval was granted based on a thorough review of all information available, including commitments and representations made in the application, the merger agreement, and those of your representatives. See the Decision Document attached.

This approval is also subject to the following condition:

- NBT Bank shall comply with the agreement between NBT Bank and the Department of Justice dated October 15, 2001.

Mark F. Pretzat, Esq
Duane, Morris & Heckscher LLP
October 24, 2001
Page 2

It is also understood that NBT will retain two subsidiaries, CNB Realty, Inc., and Colonial Financial Services, Inc., which engage in activities permissible for national banks.

Based upon the OCC's investigation and the bank's representations, we found that approval of the proposed transaction was consistent with the Community Reinvestment Act. In addition, the OCC determined that the legal, policy and procedural requirements for this proposal were satisfied.

We will not issue a letter certifying consummation of the transaction until this Office has been first furnished with the following documents executed in the original:

- 1) the merger agreement with articles of association for the resulting bank attached; and,
- 2) a secretary's certificate for each institution, certifying that a majority of the board of directors has agreed to the merger.

As a reminder, this Office must be advised in writing 10 days in advance of the desired effective date for consummation of the merger so that the OCC may issue the necessary certification letter. The effective date must follow the applicable Department of Justice injunction period and any other required regulatory approval.

Please be advised that the OCC is also authorizing the resulting bank, should the combination occur between Call Report dates, to recalculate its legal lending limit. The new lending limit should be calculated by using data from the last Call Report of the individual banks filed prior to consummating the merger, as adjusted for the combination. The resulting bank will then file a new Call Report and begin calculating its legal lending limit according to 12 C.F.R. §32.4(a) at the end of the quarter following consummation of the combination.

If the merger is not consummated within one year from the approval date, the approval shall automatically terminate, unless the OCC grants an extension of the time period. A separate letter is enclosed requesting your opinion on how we handled your application. We would appreciate your response so we may improve our service.

In the event of questions, please contact Licensing Analyst Gabriel Butler at 212.790.4055. Please include the application control number in all correspondence.

Sincerely,

/s/

Anthony P. DosSantos
Licensing Manager

Attachment



Comptroller of the Currency
Administrator of National Banks

Northeastern District Office
1114 Avenue of the Americas, Suite 3900
New York, New York 10036

DECISION OF THE COMPTROLLER OF THE CURRENCY ON THE APPLICATION BY NBT BANK, NATIONAL ASSOCIATION, NORWICH, NY, TO MERGE WITH CENTRAL NATIONAL BANK, CANAJOHARIE, CANAJOHARIE, NY. NBT WILL BE THE RESULTING INSTITUTION CONTINUING TO OPERATE UNDER ITS CURRENT CHARTER.

DECISION

Introduction

On July 31, 2001, application was made to the Office of the Comptroller of the Currency for prior authorization to merge NBT Bank, National Association, (“NBT”), Norwich, NY, with Central National Bank, (“CNB”), Canajoharie, Canajoharie, NY. NBT will be the resulting institution continuing to operate under its current charter. This application was based on an agreement finalized between the proponents on June 19, 2001

Participating Financial Institutions

As of March 31, 2001, CNB had total assets of \$958 million and total deposits of \$830 million. As of the same date, NBT had total deposits of \$2 billion. NBT is 100% owned by NBT Bancorp., Norwich, New York. CNB is 100% owned and controlled by CNB Financial Corp. NBT and CNB are members of the Bank Insurance Fund (“BIF”).

Competitive Analysis

The relevant geographic markets for this proposal include the Albany and Utica-Rome Banking Markets (as defined by the Federal Reserve Bank of New York), Chenango County, and Ostego County.¹ These are the areas where competition between NBT and CNB is direct and immediate.

¹ NBT also has branches in the Binghamton, NY-PA Banking Market (Broome and Tioga Counties, NY), the Plattsburgh, NY Banking Market (Clinton and Essex Counties, NY), Delaware County (NY), the Scranton/Wilkesbarre, PA Banking Market (Lackawanna, Luzerne, and Wayne Counties, PA), the Monroe County, PA Banking Market, and in Pike County (PA). CNB does not have any branches in these markets/counties.

The OCC finds that the markets are delineated in such a way as to accurately measure any adverse competitive effects from the proposed transaction and that the effects of the proposed transaction, as now structured, will not result in a monopoly or be in furtherance of any combination or conspiracy to monopolize the business of banking in any part of the United States, and will not substantially lessen competition in any part of the country, or tend to create a monopoly, and will not be in restraint of trade. In making this determination, the OCC carefully considered the report of the Department of Justice, which similarly found the proposed transaction would not have a significantly adverse effect on competition.²

Albany and Utica-Rome Banking Markets

The OCC reviewed the competitive effects of this transaction in the Albany and Utica-Rome Banking Markets by using its standard procedures for determining whether a business combination clearly has minimal or no adverse competitive effects. For these two areas, the OCC finds the transaction satisfies its criteria for a merger that clearly has no or minimal adverse competitive effects.

Chenango County Market

Chenango County is where CNB's Norwich branch (CNB's only branch in the county) derives the bulk of its deposits, and where the branch competes directly and immediately with NBT. Subject to NBT's proposed divestiture of CNB's Norwich branch, the OCC finds that this transaction will have no or minimal adverse competitive effects in the Chenango County market.

Ostego County Market

Within the Ostego County market, five commercial banks and one thrift compete for approximately \$775 million in deposits. NBT is the fourth largest depository institution with approximately four percent of the market's total deposits. CNB ranks second with approximately thirty-three percent of the market's deposits. Upon consummation of this transaction, NBT would become the second largest depository institution with approximately thirty-seven percent of the market's deposits. While the proposed transaction would eliminate some direct competition in this market, any adverse competitive effects would be mitigated by the presence of other banking alternatives, including offices of three large regional banking companies. Accordingly, consummation of this proposal would not have a significantly adverse effect on competition in the Ostego County market.

Based on an analysis of these competitive factors, the merger application may be approved under section 1828(c).³

² In reaching this conclusion, the Department of Justice relied on commitments by NBT to divest of CNB's branch in Norwich, Chenango County, New York. These commitments are included in the Letter of Agreement between the Department of Justice and NBT dated October 15, 2001. NBT agreed that it would not consummate the merger until a contract with a competitively suitable purchaser, as determined by the Department of Justice, is signed by NBT or CNB and the purchaser for the sale of the divested branch.

³ The Federal Reserve Bank of New York, acting on behalf of the Board of Governors of the Federal Reserve System, reported that the merger could have significant adverse effects on competition, although it qualified its report by noting that it had not evaluated all of the economic factors that may be relevant to the competitive effects of the proposal.

Banking Factors

The Bank Merger Act requires the OCC to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served." We find that the financial and the managerial resources of NBT and CNB do not raise concerns that would cause the application to be disapproved. The future prospects of the proponents, individually and combined, are considered favorable and the resulting bank is expected to meet the convenience and needs of the community to be served.

Convenience and Needs

The merger will not have an adverse impact on the convenience and needs of the communities to be served. The resulting bank will continue to serve the same areas that it now serves. NBT currently offers a full line of banking services and there will be no changes in these products or services as a result of this transaction. No public comments were received.

Community Reinvestment Act

A review of the record of this application and other information available to the OCC as a result of its regulatory responsibilities, revealed no evidence that the applicants' record of helping to meet the credit needs of their communities, including low-and-moderate-income neighborhoods, is less than satisfactory.

Conclusion

We have analyzed this proposal pursuant to the Bank Merger Act 12 USC 1828(c) and 12 CFR 5.33, and find that it will not significantly lessen competition in any relevant market. Other factors considered in evaluating this proposal are satisfactory. This approval is also subject to the following condition:

- NBT Bank shall comply with the agreement between NBT Bank and the Department of Justice dated October 15, 2001.

Please note that the above conditions to this approval are conditions "imposed in writing by the agency in connection with the granting of any application or other request" within the meaning of 12 USC 1818. As such, the conditions are enforceable under 12 USC 1818.

This conditional approval, and the activities and communications by OCC employees in connection with the filing, do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the U.S., any agency or entity of the U.S., or an officer or employee of the U.S., and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. The foregoing may not be waived or modified by any employee or agent of the OCC or the U.S.

/s/

10-24-01

Anthony P. DosSantos
Licensing Manager

Date

Application Control Number: 2001 NE 02 0044