SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-Q

(Mark One)
X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE
- --
ACT OF 1934
For the quarterly period ended September 30, 2003.
OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE
- --
ACT OF 1934
For the transition period from ________ to ________.

COMMISSION FILE NUMBER 0-14703

NBT BANCORP INC.
(Exact Name of Registrant as Specified in its Charter)

DELAWARE	16-1268674
(State of Incorporation)	(I.R.S. Employer Identification No.)

52 SOUTH BROAD STREET NORWICH, NEW YORK 13815
(Address of Principal Executive Offices)(Zip Code)

Registrant's Telephone Number, Including Area Code: (607) 337-2265

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for shorter periods that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No
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Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).
Yes [X] No [ ]

As of October 31, 2003, there were 32,732,291 shares outstanding of the Registrant's common stock, $0.01 par value.

NBT BANCORP INC.
FORM 10-Q -- Quarter Ended September 30, 2003

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NBT BANCORP INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in thousands, except share and per share data)	SEPTEMBER 30, 2003	December 31, 2002	September 30, 2002
ASSETS			
Cash and due from banks	$ 120,905	$ 121,824	$ 133,739
Short-term interest bearing accounts	2,098	2,799	5,671
Trading securities, at fair value	57	203	237
Securities available for sale, at fair value	1,076,053	1,007,583	993,786
Securities held to maturity (fair value - $99,020, $84,517 and $89,880)	97,499	82,514	87,272
Federal Reserve and Federal Home Loan Bank stock	35,218	23,699	22,630
Loans and leases	2,550,466	2,355,932	2,367,688
Less allowance for loan and lease losses	41,672	40,167	43,330
Net loans and leases	2,508,794	2,315,765	2,324,358
Premises and equipment, net	61,857	61,261	61,193
Goodwill	47,521	46,121	46,121
Intangible assets, net	2,474	2,246	2,413
Bank owned life insurance	30,412	-	-
Other assets	64,349	59,711	52,527
TOTAL ASSETS	$ 4,047,237	$ 3,723,726	$ 3,729,947
LIABILITIES, GUARANTEED PREFERRED BENEFICIAL INTERESTS IN COMPANY'S JUNIOR SUBORDINATED DEBENTURES AND STOCKHOLDERS' EQUITY			
Deposits:			
Demand (noninterest bearing)	$ 482,703	$ 449,201	$ 452,250
Savings, NOW, and money market	1,364,568	1,183,603	1,156,204
Time	1,123,778	1,289,236	1,313,511
Total deposits	2,971,049	2,922,040	2,921,965
Short-term borrowings	331,964	105,601	113,242
Long-term debt	369,721	345,475	350,603
Other liabilities	52,813	41,228	39,485
Total liabilities	$ 3,725,547	$ 3,414,344	$ 3,425,295
Guaranteed Preferred Beneficial Interests In Company's Junior Subordinated Debentures	17,000	17,000	17,000
Stockholders' equity:			
Preferred stock, none issued	-	-	-
Common stock, $0.01 par value; shares authorized-50,000,000; shares issued 34,401,108, 34,401,171, and 34,401,212 at September 30, 2003, December 31, 2002, and September 30, 2002, respectively	$ 344	$ 344	$ 344
Additional paid-in-capital	209,268	210,443	210,425
Retained earnings	113,707	95,085	89,399
Unvested restricted stock awards	(229)	(127)	(142)
Accumulated other comprehensive income	10,709	16,531	16,138
Treasury stock at cost 1,695,765, 1,751,724, and 1,219,970 shares at September 30, 2003, December 31, 2002 and September 30, 2002, respectively	(29,109)	(29,894)	(28,512)
Total stockholders' equity	$ 304,690	$ 292,382	$ 287,652
TOTAL LIABILITIES, GUARANTEED PREFERRED BENEFICIAL INTERESTS IN COMPANY'S JUNIOR SUBORDINATED DEBENTURES AND STOCKHOLDERS' EQUITY	$ 4,047,237	$ 3,723,726	$ 3,729,947

See notes to unaudited interim consolidated financial statements.

NBT BANCORP INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME	Three months ended September 30, 2003	Three months ended September 30, 2002	Nine months ended September 30, 2003	Nine months ended September 30, 2002
(in thousands, except per share data)		(Unaudited)		
INTEREST, FEE AND DIVIDEND INCOME:				
Loans	$ 39,881	$ 41,970	$ 119,036	$ 125,587
Securities available for sale	9,871	13,778	32,540	42,075
Securities held to maturity	840	1,010	2,586	3,309
Trading securities	1	2	4	6
Other	195	251	850	846
Total interest, fee and dividend income	50,788	57,011	155,016	171,823
INTEREST EXPENSE:				
Deposits	10,920	15,748	35,572	49,004
Short-term borrowings	704	417	1,363	1,052
Long-term debt	3,586	4,139	10,982	11,633
Total interest expense	15,210	20,304	47,917	61,689
Net interest income	35,578	36,707	107,099	110,134
Provision for loan and lease losses	2,436	2,424	5,789	6,527
Net interest income after provision for loan losses	33,142	34,283	101,310	103,607
NONINTEREST INCOME:				
Trust	958	743	2,966	2,366
Service charges on deposit accounts	4,164	3,531	11,531	9,820
Broker/dealer and insurance fees	1,763	1,393	4,905	4,371
Net securities gains (losses)	18	(6)	83	(439)
Bank owned life insurance income	398	-	412	-
Other	2,672	2,380	7,757	7,136
Total noninterest income	9,973	8,041	27,654	23,254
NONINTEREST EXPENSE:				
Salaries and employee benefits	12,486	11,720	37,205	36,591
Office supplies and postage	1,104	1,116	3,188	3,240
Occupancy	2,143	2,032	6,851	6,297
Equipment	1,909	1,672	5,619	5,204
Professional fees and outside services	1,421	1,446	3,963	4,843
Data processing and communications	2,640	2,705	8,081	7,868
Amortization of intangible assets	158	177	475	610
Loan collection and other real estate owned	448	570	1,204	2,245
Capital securities	181	221	551	667
Other operating	3,493	3,661	10,586	9,029
Total noninterest expense	25,983	25,320	77,723	76,594
Income before income taxes	17,132	17,004	51,241	50,267
Income taxes	5,284	5,592	16,019	16,512
NET INCOME	$ 11,848	$ 11,412	$ 35,222	$ 33,755
Earnings per share:				
Basic	$ 0.36	$ 0.35	$ 1.08	$ 1.02
Diluted	$ 0.36	$ 0.34	$ 1.07	$ 1.01

See notes to unaudited interim consolidated financial statements.

NBT BANCORP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

(in thousands, except share and per share data)	Common Stock	Additional Paid-in-Capital	Retained Earnings	Unvested Restricted Stock	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
BALANCE AT DECEMBER 31, 2001	$ 343	$ 209,176	$ 72,531	$ 0	$ 3,921	($19,616)	$266,355
Net Income			33,755				33,755
Cash Dividends - $0.51 per share			(16,887)				(16,887)
Purchase of 526,833 treasury shares						(9,078)	(9,078)
Issuance of 138,981 shares to employee benefits plans and other stock plans, including tax benefit	1	1,277				(56)	1,222
Grant of 14,648 shares of restricted stock awards		(28)		(222)		250	-
Cancellation of 800 restricted stock awards				12		(12)	-
Amortization of restricted stock award				68			68
Other comprehensive income					12,217		12,217
BALANCE AT SEPTEMBER 30, 2002	$ 344	$ 210,425	$ 89,399	($142)	$ 16,138	$ (28,512)	$287,652
BALANCE AT DECEMBER 31, 2002	$ 344	$ 210,443	$ 95,085	($127)	$ 16,531	$ (29,894)	$292,382
Net income			35,222				35,222
Cash dividends - $0.51 per share			(16,600)				(16,600)
Purchase of 369,313 treasury shares						(6,489)	(6,489)
Issuance of 41,980 shares in exchange for 20,172 shares received as consideration for the exercise of incentive stock options		(357)				357	-
Issuance of 391,618 shares to employee benefit plans and other stock plans, including tax benefit		(818)				6,714	5,896
Grant of 11,846 shares of restricted stock awards				(203)		203	-
Amortization of restricted stock awards				101			101
Other comprehensive (loss)					(5,822)		(5,822)
BALANCE AT SEPTEMBER 30, 2003	$ 344	$ 209,268	$ 113,707	($229)	$ 10,709	($29,109)	$304,690

See notes to unaudited interim consolidated financial statements.

NBT BANCORP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Nine Months Ended September 30, 2003	2002
	(Unaudited)	
OPERATING ACTIVITIES:		
Net income	$ 35,222	$ 33,755
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	5,789	6,527
Depreciation of premises and equipment	4,886	5,075
Net amortization (accretion) on securities	3,899	(811)
Amortization of intangible assets	475	610
Amortization of restricted stock awards	101	68
Proceeds from sale of loans held for sale	7,678	6,026
Origination of loans held for sale	(2,572)	(5,524)
Net losses on sales of loans	-	77
Net (gain) on sale of other real estate owned	(762)	(80)
Net security (gains) losses	(83)	439
Proceeds from sales of trading securities	184	-
Purchases of trading securities	(62)	(166)
Writedown of nonmarketable equity securities	620	-
Gain on sale of a branch, net	-	(220)
Purchase of Bank Owned Life Insurance	(30,000)	-
Net (increase) decrease in other assets	(2,229)	8,338
Net increase (decrease) in other liabilities	10,672	(5,052)
Net cash provided by operating activities	33,818	49,062
INVESTING ACTIVITIES:		
Net cash and cash equivalents provided by acquisitions	10,594	-
Net cash paid in conjunction with branch sale	-	(29,171)
Securities available for sale:		
Proceeds from maturities	368,217	254,991
Proceeds from sales	207,218	216,609
Purchases	(657,585)	(535,222)
Securities held to maturity:		
Proceeds from maturities	41,964	40,600
Purchases	(57,003)	(26,344)
Purchases of FRB and FHLB stock	(11,519)	(846)
Net increase in loans	(203,974)	(42,217)
Purchase of premises and equipment, net	(5,454)	(4,490)
Proceeds from sales of other real estate owned	2,979	1,113
Net cash used in investing activities	(304,563)	(124,977)
FINANCING ACTIVITIES:		
Net increase in deposits	35,709	40,611
Net increase (decrease) in short-term borrowings	226,363	(8,772)
Proceeds from issuance of long-term debt	125,000	80,000
Repayments of long-term debt	(100,754)	(1,728)
Proceeds from issuance of treasury shares to employee benefit plans and other stock plans, including tax benefit	5,896	1,222
Purchase of treasury stock	(6,489)	(9,078)
Cash dividends	(16,600)	(16,887)
Net cash provided by financing activities	269,125	85,368
Net (decrease) increase in cash and cash equivalents	(1,620)	9,453
Cash and cash equivalents at beginning of period	124,623	129,957
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 123,003	$ 139,410

(Continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	NINE MONTHS ENDED SEPTEMBER 30, 2003	2002
Cash paid during the period for:		
Interest	$ 50,270	$ 66,100
Income taxes	7,900	8,800
Loans transferred to OREO	1,177	2,560
BRANCH DIVESTITURE:		
Assets sold	-	$ 3,323
Liabilities sold	-	34,263
BRANCH ACQUISITIONS:		
Fair value of assets acquired	$ 1,155	-
Fair value of liabilities assumed	13,311	-

See notes to unaudited interim consolidated financial statements.

NBT BANCORP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)	Three months ended September 30, 2003 (Unaudited)	Three months ended September 30, 2002	Nine months ended September 30, 2003 (Unaudited)	Nine months ended September 30, 2002
Net Income	$ 11,848	$ 11,412	$ 35,222	$ 33,755
Other comprehensive (loss) income, net of tax				
Unrealized holding (losses) gains arising during period [pre-tax amounts of ($6,408), $11,516, ($9,239) and $19,893]	(3,853)	6,924	(5,555)	11,961
Minimum Pension Liability Adjustment	-	-	(217)	-
Less: Reclassification adjustment for net (gains) losses included in net income [pre-tax amounts of ($18), -, ($83) and $426]	(11)	-	(50)	256
Total other comprehensive (loss) income	(3,864)	6,924	(5,822)	12,217
Comprehensive income	$ 7,984	$ 18,336	$ 29,400	$ 45,972

See notes to unaudited interim consolidated financial statements.

NOTE 1. BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements include the accounts of NBT Bancorp Inc. (the Registrant) and its subsidiaries, NBT Bank, N.A. (NBT or Bank), NBT Financial Services, Inc., and CNBF Capital Trust I. Collectively, the Registrant and its subsidiaries are referred to herein as "the Company". All intercompany transactions have been eliminated in consolidation. Amounts in the prior period financial statements are reclassified whenever necessary to conform to current period presentation.

The consolidated balance sheet at December 31, 2002 has been derived from audited consolidated financial statements at that date. The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine months ended September 30, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. For further information, refer to the consolidated financial statements included in the Registrant's annual report on Form 10-K for the year ended December 31, 2002 and notes thereto referred to above.

NOTE 2. USE OF ESTIMATES

Preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilites at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period, as well as the disclosures provided. Actual results could differ from those estimates. Estimates associated with the allowance for loan and lease losses, fair values of financial instruments and status of contingencies are particularly susceptible to material change in the near term.

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

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

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

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

Income taxes are accounted for under the asset and liability method. The Company files a consolidated tax return on the accrual basis. Deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Realization of deferred tax assets is dependent upon the generation of future taxable income or the existence of sufficient taxable income within the available carryback period. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax asset will not be realized. Based on available evidence, gross deferred tax assets will ultimately be realized and a valuation allowance was not deemed necessary at September 30, 2003 and 2002. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

NOTE 3. COMMITMENTS AND CONTINGENCIES

The Company is a party to financial instruments in the normal course of business to meet financing needs of its customers and to reduce its own exposure to fluctuating interest rates. These financial instruments include commitments to extend credit, unused lines of credit, and standby letters of credit. Exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to make loans and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policy to make such commitments as it uses for on-balance-sheet items. At September 30, 2003 and December 31, 2002, commitments to extend credit and unused lines of credit totaled $472.1 million and $409.1 million. Since commitments to extend credit and unused lines of credit may expire without being fully drawn upon, this amount does not necessarily represent future cash commitments. Collateral obtained upon exercise of the commitment is determined using management's credit evaluation of the borrower and may include accounts receivable, inventory, property, land and other items.

The Company guarantees the obligations or performance of customers by issuing stand-by letters of credit to third parties. These stand-by letters of credit are frequently issued in support of third party debt, such as corporate debt issuances, industrial revenue bonds, and municipal securities. The risk involved in issuing stand-by letters of credit is essentially the same as the credit risk involved in extending loan facilities to customers, and they are subject to the same credit origination, portfolio maintenance and management procedures in effect to monitor other credit and off-balance sheet products. Typically, these instruments have terms of five years or less and expire unused; therefore, the total amounts do not necessarily represent future cash requirements. Standby letters of credit totaled $25.1 million at September 30, 2003, and $24.7 million at December 31, 2002. As of September 30, 2003, the fair value of standby letters of credit was not material to the Company's consolidated financial statements.

NOTE 4. EARNINGS PER SHARE

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

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

Three months ended September 30,	2003	2002
(in thousands, except per share data)		
Basic EPS:		
Weighted average common shares outstanding	32,534	33,016
Net income available to common shareholders	$11,848	$11,412
Basic EPS	$ 0.36	$ 0.35
Diluted EPS:		
Weighted average common shares outstanding	32,534	33,016
Dilutive effect of common stock options and restricted stock	331	279
Weighted average common shares and common share equivalents	32,865	33,295
Net income available to common shareholders	$11,848	$11,412
Diluted EPS	$ 0.36	$ 0.34

Nine months ended September 30,	2003	2002
(in thousands, except per share data)		
Basic EPS:		
Weighted average common shares outstanding	32,474	33,088
Net income available to common shareholders	$35,222	$33,755
Basic EPS	$ 1.08	$ 1.02
Diluted EPS:		
Weighted average common shares outstanding	32,474	33,088
Dilutive effect of common stock options and restricted stock	293	242
Weighted average common shares and common share equivalents	32,767	33,330
Net income available to common shareholders	$35,222	$33,755
Diluted EPS	$ 1.07	$ 1.01

There were 197,400 average outstanding stock options for the quarter ended September 30, 2003 and 387,272 average outstanding stock options for the quarter ended September 30, 2002 that were not considered in the calculation of diluted earnings per share since the stock options' exercise price was greater than the average market price during these periods. There were 229,515 outstanding average stock options for the nine month period ended September 30, 2003 and 420,743 average outstanding stock options for the nine month period ended September 30, 2002 that were not considered in the calculation of diluted earnings per share since the stock options' exercise price was greater than the average market price during these periods.

NOTE 5. STOCK-BASED COMPENSATION

In December 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" which provides guidance on how to transition from the intrinsic value method of accounting for stock-based employee compensation under Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees" to SFAS No. 123 "Accounting for Stock-Based Compensation," which accounts for stock-based compensation using the fair value method of accounting, if a company so elects. The Company currently accounts for stock-based employee compensation under APB No. 25. As such, compensation expense would be recorded only if the market price of the underlying stock on the date of grant exceeded the exercise price. Because the fair value on the date of grant of the underlying stock of all stock options granted by the Company is equal to the exercise price of the options granted, no compensation cost has been recognized for stock options in the accompanying consolidated statements of income. Compensation expense for restricted stock awards is based on the market price of the stock on the date of grant and is recognized ratably over the vesting period of the award.

Had the Company determined compensation cost based on the fair value at the date of grant for its stock options and employee stock purchase plan under SFAS No. 123, the Company's net income and net income per share would have been reduced to the pro forma amounts indicated below:

	THREE MONTHS ENDED SEPTEMBER 30,	
	2003	2002
Net income, as reported	$ 11,848	$ 11,412
Add:Stock-based compensation expense included in reported net income, net of related tax effects	19	20
Less:Stock-based compensation expense determined under fair value method for all awards, net of related tax effects	(260)	(268)
Pro forma net income	$ 11,607	$ 11,164
Net income per share:		
Basic - as reported	$ 0.36	$ 0.35
Basic - Pro forma	$ 0.36	$ 0.34
Diluted - as reported	$ 0.36	$ 0.34
Diluted - Pro forma	$ 0.35	$ 0.34

	NINE MONTHS ENDED SEPTEMBER 30, 2003	NINE MONTHS ENDED SEPTEMBER 30, 2002
Net income, as reported	$ 35,222	$ 33,755
Add: Stock-based compensation expense included in reported net income, net of related tax effects	61	41
Less: Stock-based compensation expense determined under fair value method for all awards, net of related tax effects	(790)	(752)
Pro forma net income	$ 34,493	$ 33,044
Net income per share:		
Basic - as reported	$ 1.08	$ 1.02
Basic - Pro forma	$ 1.06	$ 1.00
Diluted - as reported	$ 1.07	$ 1.01
Diluted - Pro forma	$ 1.05	$ 0.99

The Company granted 394,482 stock options during the nine months ended September 30, 2003 with a weighted average exercise price of $17.69 per share compared to 497,670 stock options granted during the nine months ended September 30, 2002 with a weighted average exercise price of $14.40 per share. The per share weighted average fair value of the stock options granted for the nine months ended September 30, 2003 and 2002 was $4.02 and $2.41. The assumptions used for the grants noted above were as follows:

	NINE MONTHS ENDED SEPTEMBER 30, 2003	NINE MONTHS ENDED SEPTEMBER 30, 2002
DIVIDEND YIELD	3.41% - 3.97%	4.07%
EXPECTED VOLATILITY	31.34% - 31.42%	19.13%
RISK -FREE INTEREST RATE	2.98% - 3.98%	3.48% - 4.74%
EXPECTED LIFE	7 years	7 years

The fair value of stock options granted was estimated at the date of grant using the Black-Scholes option-pricing model. This model was developed for use in estimating fair value of publicly traded options that have no vesting restrictions and are fully transferable. Additionally, the model requires the input of highly subjective assumptions. Because the Company's employee and director stock options have characteristics significantly different from those of publicly traded stock options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the Black-Scholes option-pricing model does not necessarily provide a reliable single measure of the fair value of the Company's employee and director stock options.

NOTE 6. GOODWILL AND INTANGIBLE ASSETS

A summary of goodwill by subsidiaries follows:

(In thousands)	JANUARY 1, 2002	GOODWILL DISPOSED	SEPTEMBER 30, 2002
NBT Bank, N.A.	$ 44,667	$ (1,547)	$ 43,120
NBT Financial Services, Inc.	3,001	-	3,001
Total	$ 47,668	$ (1,547)	$ 46,121

(In thousands)	JANUARY 1, 2003	GOODWILL ACQUIRED	SEPTEMBER 30, 2003
NBT Bank, N.A.	$ 43,120	$ 1,400	$ 44,520
NBT Financial Services, Inc.	3,001	-	3,001
Total	$ 46,121	$ 1,400	$ 47,521

The Company acquired $1.4 million in goodwill in connection with the acquisition of a branch from Alliance Bank in June of 2003. In connection with the sale of a branch during the three months ended March 31, 2002, $1.5 million in goodwill was included in the carrying amount of the branch in determining the gain on disposal.

The Company has finite-lived intangible assets capitalized on its consolidated balance sheet in the form of core deposit and other intangible assets. These intangible assets continue to be amortized over their estimated useful lives, which range from one to twenty-five years.

A summary of core deposit and other intangible assets follows:

	SEPTEMBER 30, 2003	SEPTEMBER 30, 2002
(in thousands)		
Core deposit intangibles:		
Gross carrying amount	$ 5,585	$ 5,433
Less: accumulated amortization	4,367	3,777
Net Carrying amount	1,218	1,656
Other intangibles:		
Gross carrying amount	1,031	1,031
Less: accumulated amortization	326	274
Net Carrying amount	705	757
Other intangibles not subject to amortization: Pension Asset	551	-
Total intangibles with definite useful lives:		
Gross carrying amount	7,167	6,464
Less: accumulated amortization	4,693	4,051
Net Carrying amount	$ 2,474	$ 2,413

Amortization expense on finite-lived intangible assets is expected to total $0.2 million for the remainder of 2003 and $0.3 million for each of 2004, 2005, 2006 and 2007.

NOTE 7. GUARANTEED PREFERRED BENEFICIAL INTERESTS IN COMPANY'S JUNIOR SUBORDINATED DEBENTURES

On June 14, 1999, CNB Financial Corp. ("CNBF") which was acquired by the Company on November 8, 2001, established CNBF Capital Trust I (the Trust), which is a statutory business trust. The Trust exists for the exclusive purpose of issuing and selling 30 year guaranteed preferred beneficial interests in the Company's junior subordinated debentures. On August 4, 1999, the Trust issued $18.0 million in capital securities at 3-month LIBOR plus 275 basis points, which equaled 8.12% at issuance. The rate on the capital securities resets quarterly, equal to the 3-month LIBOR plus 275 basis points (3.85% and 4.61% for the September 30, 2003 and 2002 quarterly payments, respectively). The capital securities are the sole asset of the Trust. The obligations of the Trust are guaranteed by the Company. Capital securities totaling $1.0 million were issued to the Company. These capital securities were retired upon the merger of the Company and CNBF. The net proceeds from the sale of the capital securities were used for general corporate purposes and to provide a capital contribution of $15.0 million to CNB Bank, which was merged into NBT Bank.

In May 2003 the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 established standards for how entities classify and measure certain financial instruments with characteristics of both liabilities and equity. The provisions of SFAS No. 150 are effective for financial instruments entered into or modified after May 31, 2003, and otherwise are effective at the beginning of the first interim period beginning after June 15, 2003. In the Company's earnings release issued October 27, 2003, the guaranteed preferred beneficial interests in Company's junior subordinated debentures were reported as a liability in the Company's balance sheet, and the distributions ("capital securities") on these capital securities on and after July 1, 2003 were included as interest expense in accordance with the provisions of SFAS No. 150. Subsequent to the earnings release, but prior to the filing of these financial statements, the FASB issued FASB Staff Position No. 150-3, which deferred indefinitely the classification and measurement provisions of SFAS No. 150 for the Company's capital securities. Accordingly $181,000 of trust preferred distributions for the three months ended September 30, 2003 which were classified as interest expense in the October 27, 2003 earnings release have been reported in these consolidated financial statements as distributions on capital securities. Also these capital securities are reported in the same manner as minority interest in the accompanying consolidated interim balance sheet as of September 30, 2003. This reporting is consistent with the Company's previous quarterly and annual financial reporting. SFAS No. 150 has no other impact on the Company's consolidated financial statements.

NOTE 8. NEW ACCOUNTING PRONOUNCEMENTS

The FASB issued Financial Accounting Standards Board Interpretation (FIN) No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others - an Interpretation of FASB Statements No. 5, 57 and 107 and Rescission of FASB Interpretation No. 34." FIN No. 45 elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of FIN No. 45 are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements of FIN No. 45 are effective for financial statements of interim or annual periods ending after December 15, 2002, and were adopted in the Company's consolidated financial statements for the year ended December 31, 2002. Implementation of the remaining provisions of FIN No. 45 during the first quarter of 2003 did not have any impact on the Company's financial statements.

The FASB issued FAS 149, "Amendment of Statement No. 133 on Derivative Instruments and Hedging Activities". The statement is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. This statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contacts and for hedging activities. This statement amends Statement 133 for decisions made as part of the Derivatives Implementation Group process that effectively required amendments to Statement 133, in connection with other Board projects dealing with financial instruments and in connection with implementation issues raised in relation to the application of the definition of a derivative. The adoption of this Statement is not expected to have a significant impact on the Company's consolidated financial statements.

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities". FIN No. 46 addresses consolidation by business enterprises of variable interest entities. FIN No. 46 applies to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains interest after that date. The effective date of FIN No. 46 had been July 1, 2003. The FASB postponed the effective date to December 31, 2003 for all variable interest entities that existed prior to February 1, 2003. The Company is evaluating the effects of FIN No. 46 but currently expects it will not have a significant impact on the Company's consolidated financial statements.

In its current form, FIN No. 46 may require the Company to deconsolidate its investment in its guaranteed preferred beneficial interests in junior subordinated debentures in future financial statements. Presently the beneficial interests in the Company's junior subordinated debentures qualify as Tier I capital of the Company. In July 2003, the Board of Governors of the Federal Reserve System issued a supervisory letter instructing bank and financial holding companies to continue to include beneficial interests in junior subordinated debentures in Tier I capital for regulatory purposes until notice is given to the contrary. The Federal Reserve intends to review the regulatory implications of any accounting treatment changes and, if necessary or warranted, provide further appropriate guidance. There can be no assurance that the Federal Reserve will continue to allow institutions to include beneficial interests in junior subordinated debentures in Tier I capital for regulatory capital purposes. As of September 30, 2003, if the Company was not allowed to include its $17.0 million in beneficial interests in the Company's junior subordinated debentures within Tier I capital, it would still exceed the regulatory required minimums for capital adequacy purposes.

NBT BANCORP INC. AND SUBSIDIARIES
Item 2 -- MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The purpose of this discussion and analysis is to provide the reader with a concise description of the financial condition and results of operations of NBT Bancorp Inc. (Bancorp) and its subsidiaries, NBT Bank, N.A. (NBT), NBT Financial Services, Inc., and CNBF Capital Trust I (collectively referred to herein as the Company.) This discussion will focus on Results of Operations, Financial Position, Capital Resources and Asset/Liability Management. Reference should be made to the Company's consolidated financial statements and footnotes thereto included in this Form 10-Q as well as to the Company's 2002 Form 10-K for an understanding of the following discussion and analysis.

FORWARD LOOKING STATEMENTS

Certain statements in this filing and future filings by the Company with the Securities and Exchange Commission, in the Company's press releases or other public or shareholder communications, contain forward-looking statements, as defined in the Private Securities Litigation Reform Act. These statements may be identified by the use of phrases such as "anticipate," "believe," "expect," "forecasts," "projects," or other similar terms. There are a number of factors, many of which are beyond the Company's control that could cause actual results to differ materially from those contemplated by the forward looking statements. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, among others, the following possibilities: (1) competitive pressures among depository and other financial institutions may increase significantly; (2) revenues may be lower than expected; (3) changes in the interest rate environment may effect interest margins; (4) general economic conditions, either nationally or regionally, may be less favorable than expected, resulting in, among other things, a deterioration in credit quality and/or a reduced demand for credit; (5) legislative or regulatory changes, including changes in accounting standards or tax laws, may adversely affect the businesses in which the Company is engaged; (6) competitors may have greater financial resources and develop products that enable such competitors to compete more successfully than the Company; (7) adverse changes may occur in the securities markets or with respect to inflation; (8) acts of war or terrorism; (9) the costs and effects of litigation and of unexpected or adverse outcomes in such litigation; and (10) the Company's success in managing the risks involved in the foregoing.

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

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

CRITICAL ACCOUNTING POLICIES

Management of the Company considers the accounting policy relating to the allowance for loan and lease losses to be a critical accounting policy given the uncertainty in evaluating the level of the allowance required to cover credit losses inherent in the loan and lease portfolio and the material effect that such judgments can have on the results of operations. While management's current evaluation of the allowance for loan and lease losses indicates that the allowance is adequate, under adversely different conditions or assumptions, the allowance would need to be increased. For example, if historical loan and lease loss experience significantly worsened or if current economic conditions significantly deteriorated, additional provisions for loan and lease losses would be required to increase the allowance. In addition, the assumptions and estimates used in the internal reviews of the Company's non-performing loans and potential problem loans has a significant impact on the overall analysis of the adequacy of the allowance for loan and lease losses. While management has concluded that the current evaluation of collateral values is reasonable under the circumstances, if collateral evaluations were significantly lowered, the Company's allowance for loan and lease policy would also require additional provisions for loan and lease losses.

OVERVIEW

The Company earned net income of $11.8 million ($0.36 diluted earnings per share) for the three months ended September 30, 2003 compared to net income of $11.4 million ($0.34 diluted earnings per share) for the three months ended September 30, 2002. The quarter to quarter increase in net income from 2002 to 2003 was primarily the result of an increase in total noninterest income of $1.9 million offset by a decrease in net interest income of $1.1 million. The increase in noninterest income was driven primarily by increases in services charges on deposit accounts of $0.6 million, broker/dealer and insurance revenue of $0.4 million, Bank Owned Life Insurance income of $0.4 million, trust income of $0.2 million and other income of $0.3 million. The decline in net interest income resulted primarily from a decline in the Company's net interest margin from 4.35% for the three months ended September 30, 2002 to 4.02% for the same period in 2003.

The Company earned net income of $35.2 million ($1.07 diluted earnings per share) for the nine months ended September 30, 2003 compared to net income of $33.8 million ($1.01 diluted earnings per share) for the nine months ended September 30, 2002. The increase in net income from 2002 to 2003 was primarily the result of an increase in total noninterest income of $4.4 million and a $0.7 million decrease in the provision for loan and lease losses offset by a decrease in net interest income of $3.0 million and an increase in total noninterest expense of $1.1 million. The increase in noninterest income was driven primarily by increases in services charges on deposit accounts of $1.7 million, other income of $0.6 million, trust income of $0.6 million, broker/dealer and insurance revenue of $0.5 million, Bank Owned Life Insurance income of $0.4 million, as well as a $0.1 million net gain on securities transactions for the nine months ended September 30, 2003 compared to $0.4 million in net losses on securities transactions for the same period in 2002. The decline in the provision for loan and lease losses reflects lower net charge-offs for the nine months ended September 30, 2003 compared to the same period in 2002 as well as a decrease in nonperforming loans. The decline in net interest income resulted primarily from a decline in the Company's net interest margin from 4.47% for the nine months ended September 30, 2002 to 4.19% for the same period in 2003. The increase in total noninterest expense resulted primarily from increases in other operating expense of $1.6 million, salaries and employee benefits of $0.6 million and occupancy expense of $0.6 million offset by declines in loan collection and other real estate owned costs of $1.0 million and professional fees and outside services of $0.9 million.

Table 1 depicts annualized measurements of performance using GAAP net income. Returns on average assets and equity measure how effectively an entity utilizes its total resources and capital, respectively. Net interest margin, which is the net federal taxable equivalent (FTE) interest income divided by average earning assets, is a measure of an entity's ability to utilize its earning assets in relation to the cost of funding. Interest income for tax-exempt securities and loans is adjusted to a taxable equivalent basis using the statutory Federal income tax rate of 35%.

TABLE 1
PERFORMANCE MEASUREMENTS

	First Quarter	Second Quarter	THIRD QUARTER	NINE MONTHS
2003				
Return on average assets (ROAA)	1.27%	1.25%	1.21%	1.24%
Return on average equity (ROAE)	16.05%	16.07%	16.06%	16.09%
Net interest margin	4.38%	4.18%	4.02%	4.19%
2002				
ROAA	1.25%	1.24%	1.23%	1.24%
ROAE	16.62%	16.50%	15.95%	16.37%
Net interest margin	4.54%	4.48%	4.35%	4.47%

TABLE 2
AVERAGE BALANCES AND NET INTEREST INCOME

Table 2 presents the Company's condensed consolidated average balance sheet, an analysis of interest income/expense and average yield/rate for each major category of earning assets and interest bearing liabilities on a taxable equivalent basis.

	Three months ended September 30, 2003			2002		
(dollars in thousands)	AVERAGE BALANCE	INTEREST	YIELD/ RATES	Average Balance	Interest	Yield/ Rates
ASSETS						
Short-term interest bearing accounts	$ 1,573	$ 16	4.04%	$ 15,374	$ 109	2.81%
Trading securities	69	1	5.75%	260	2	3.05%
Securities available for sale (2)	966,254	10,481	4.31%	965,055	14,300	5.88%
Securities held to maturity (2)	99,812	1,170	4.65%	86,840	1,333	6.09%
Investment in FRB and FHLB Banks	29,469	179	2.41%	22,718	142	2.48%
Loans and leases (1)	2,527,099	40,065	6.29%	2,350,015	42,149	7.12%
Total interest earning assets	3,624,276	51,912	5.69%	3,440,262	58,035	6.69%
Other assets	278,333			242,947		
TOTAL ASSETS	$3,902,609			$3,683,209		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Money market deposit accounts	$ 376,700	982	1.03%	$ 271,049	1,145	1.68%
NOW deposit accounts	414,057	461	0.44%	376,641	905	0.95%
Savings deposits	542,344	1,043	0.76%	494,304	1,841	1.48%
Time deposits	1,158,366	8,434	2.89%	1,315,059	11,857	3.58%
Total interest bearing deposits	2,491,467	10,920	1.74%	2,457,053	15,748	2.54%
Short-term borrowings	212,568	704	1.31%	106,018	417	1.56%
Long-term debt	369,843	3,586	3.85%	350,650	4,139	4.68%
Total interest bearing liabilities	3,073,878	15,210	1.96%	2,913,721	20,304	2.76%
Demand deposits	469,432			426,733		
Other liabilities (3)	66,413			58,945		
Stockholders' equity	292,886			283,810		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$3,902,609			$3,683,209		
NET INTEREST INCOME (FTE BASIS)		36,702			37,731	
INTEREST RATE SPREAD			3.73%			3.93%
NET INTEREST MARGIN			4.02%			4.35%
Taxable equivalent adjustment		1,124			1,024	
NET INTEREST INCOME		$ 35,578			$ 36,707	

(1) For purposes of these computations, nonaccrual loans are included in the average loan and lease balances outstanding.
(2) Securities are shown at average amortized cost.
(3) Included in other liabilities for the three months ended September 30, 2003 and 2002 are $17.0 million in the Company's guaranteed preferred beneficial interests in Company's junior subordinated debentures.

(dollars in thousands)	2003 AVERAGE BALANCE	2003 INTEREST	2003 YIELD/ RATES	2002 Average Balance	2002 Interest	2002 Yield/ Rates
ASSETS						
Short-term interest bearing accounts	$ 3,549	$ 57	2.15%	$ 13,584	$ 302	2.97%
Trading securities	157	4	3.41%	198	6	4.05%
Securities available for sale (2)	973,318	34,381	4.73%	939,634	43,666	6.21%
Securities held to maturity (2)	88,923	3,517	5.30%	96,009	4,373	6.09%
Investment in FRB and FHLB Banks	25,668	793	4.14%	21,582	544	3.37%
Loans and leases (1)	2,433,665	119,601	6.59%	2,330,096	126,127	7.24%
Total interest earning assets	3,525,280	158,353	6.02%	3,401,103	175,018	6.88%
Other assets	266,675			235,743		
TOTAL ASSETS	$3,791,955			$3,636,846		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Money market deposit accounts	$ 348,082	3,219	1.24%	$ 272,078	3,266	1.60%
NOW deposit accounts	401,625	1,786	0.60%	380,524	2,733	0.96%
Savings deposits	518,819	3,510	0.91%	478,122	5,383	1.51%
Time deposits	1,213,669	27,057	2.99%	1,339,836	37,622	3.75%
Total interest bearing deposits	2,482,195	35,572	1.92%	2,470,560	49,004	2.65%
Short-term borrowings	145,038	1,363	1.26%	89,521	1,052	1.57%
Long-term debt	357,967	10,982	4.11%	329,623	11,633	4.72%
Total interest bearing liabilities	2,985,200	47,917	2.15%	2,889,704	61,689	2.85%
Demand deposits	449,520			415,033		
Other liabilities (3)	63,871			55,804		
Stockholders' equity	293,364			276,305		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$3,791,955			$3,636,846		
NET INTEREST INCOME (FTE BASIS)		110,436			113,329	
INTEREST RATE SPREAD			3.87%			4.03%
NET INTEREST MARGIN			4.19%			4.47%
TAXABLE EQUIVALENT ADJUSTMENT		3,337			3,195	
NET INTEREST INCOME		$ 107,099			$ 110,134	

Nine months ended September 30,

(1) For purposes of these computations, nonaccrual loans are included in the average loan and lease balances outstanding.
(2) Securities are shown at average amortized cost.
(3) Included in other liabilities is $17.0 million in the Company's guaranteed preferred beneficial interests in Company's junior subordinated debentures for the nine months ended September 30, 2003 and 2002.

Table 3 presents the changes in interest income, interest expense and net interest income due to changes in volume and changes in rate. The net change attributable to the combined impact of volume and rate has been allocated to each in proportion to the absolute dollar amounts of change.

TABLE 3
ANALYSIS OF CHANGES IN TAXABLE EQUIVALENT NET INTEREST INCOME

Three months ended September 30,

	INCREASE (DECREASE) 2003 OVER 2002		
(in thousands)	VOLUME	RATE	TOTAL
Short-term interest bearing accounts	$ (127)	$ 34	$ (93)
Trading securities	(2)	1	(1)
Securities available for sale	18	(3,837)	(3,819)
Securities held to maturity	181	(344)	(163)
Investment in FRB and FHLB Banks	41	(4)	37
Loans and leases	3,031	(5,115)	(2,084)
Total interest income	2,982	(9,105)	(6,123)
Money market deposit accounts	360	(523)	(163)
NOW deposit accounts	82	(526)	(444)
Savings deposits	164	(962)	(798)
Time deposits	(1,309)	(2,114)	(3,423)
Short-term borrowings	362	(75)	287
Long-term debt	217	(770)	(553)
Total interest expense	992	(6,086)	(5,094)
CHANGE IN FTE NET INTEREST INCOME	$ 1,990	$ (3,019)	$ (1,029)

Nine months ended September 30,

	INCREASE (DECREASE) 2003 OVER 2002		
(in thousands)	VOLUME	RATE	TOTAL
Short-term interest bearing accounts	$ (178)	$ (67)	$ (245)
Trading securities	1,517	(10,802)	(9,285)
Securities available for sale	(307)	(549)	(856)
Securities held to maturity	(1)	(1)	(2)
Investment in FRB and FHLB Banks	114	135	249
Loans and leases	5,438	(11,964)	(6,526)
Total interest income	6,209	(22,874)	(16,665)
Money market deposit accounts	797	(844)	(47)
NOW deposit accounts	144	(1,091)	(947)
Savings deposits	426	(2,299)	(1,873)
Time deposits	(3,314)	(7,251)	(10,565)
Short-term borrowings	554	(243)	311
Long-term debt	948	(1,599)	(651)
Total interest expense	1,911	(15,683)	(13,772)
CHANGE IN FTE NET INTEREST INCOME	$ 4,298	$ (7,191)	$ (2,893)

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2003 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2002

Net Interest Income

Net interest income is the difference between interest income on earning assets, primarily loans and securities, and interest expense on interest-bearing liabilities, primarily deposits and borrowings. Net interest income is affected by the interest rate spread, the difference between the yield on earning assets and cost of interest-bearing liabilities, as well as the volumes of such assets and liabilities. Net interest income is one of the major determining factors in a financial institution's performance as it is the principal source of earnings. Table 2 represents an analysis of net interest income on a federal taxable equivalent basis.

Federal taxable equivalent (FTE) net interest income decreased $1.0 million during the three months ended September 30, 2003 compared to the same period of 2002. The decrease in FTE net interest income resulted primarily from interest earning assets repricing downward at a faster rate than interest-bearing liabilities. The yield on earning assets decreased 100 basis points ("bp"), to 5.69% for the three months ended September 30, 2003, from 6.69% for the same period in 2002. Meanwhile, the rate paid on interest-bearing liabilities decreased 80 bp, to 1.96% for the three months ended September 30, 2003, from 2.76% for the same period in 2002.

Total FTE interest income for the three months ended September 30, 2003 decreased $6.1 million compared to the same period in 2002, a result of the previously mentioned decrease in yield on earning assets. The decrease in the yield on earning assets can be primarily attributed to the low rate environment prevalent for the last several quarters. Additionally, the low rate environment resulted in an acceleration of prepayments of mortgage related assets, which led to a high level of amortization of investment securities premiums. The high level of amortization experienced during the three months ended September 30, 2003 was a factor in the 157 basis point decrease in yield on securities available for sale when compared to the same period in 2002. Another factor driving the decrease in yield on investment securities is the Company's decision to invest in shorter-term securities which have lower yields, while providing greater flexibility to deploy funds in a rising rate environment (for more information about the Company's investment securities and asset/liability position see the sections under the captions "Securities" and "Market Risk" further in this discussion).

During the same time period, total interest expense decreased $5.1 million, primarily the result of the low rate environment mentioned above, as well as an improvement in the mix of the Company's interest-bearing liabilities. Time deposits, the most significant component of interest-bearing liabilities, decreased to 37.7% of interest-bearing liabilities for the three months ended September 30, 2003 from 45.1% for the same period in 2002. Offsetting this decrease in the interest-bearing liabilities mix, was an increase in lower cost NOW, MMDA, and Savings deposits, to 43.4% of interest-bearing liabilities for the three months ended September 30, 2003 from 39.2% for the same period in 2002. Total borrowings increased to 18.9% for the three months ended September 30, 2003 from 15.7% for the same period in 2002.

Another important performance measurement of net interest income is the net interest margin. Net interest margin decreased to 4.02% for the three months ended September 30, 2003, down from 4.35% for the comparable period in 2002. The decrease in the net interest margin can be primarily attributed to the previously mentioned decrease in the interest rate spread driven by the decrease in yield on earning assets exceeding the decrease in the cost of interest-bearing liabilities.

Noninterest Income

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

(in thousands)	THREE MONTHS ENDED SEPTEMBER 30, 2003	2002
Service charges on deposit accounts	$ 4,164	$ 3,531
Broker/dealer and insurance fees	1,763	1,393
Trust	958	743
Bank owned life insurance income	398	-
Net securities gains (losses)	18	(6)
Other	2,672	2,380
Total	$ 9,973	$ 8,041

Noninterest income for the quarter ended September 30, 2003 was $10.0 million, up $1.9 million or 24% from $8.0 million for the same period in 2002. Service charges on deposit accounts for the quarter ended September 30, 2003 increased $0.6 million or 18% over the same period in 2002. The increase in service charges on deposit accounts resulted primarily from overdraft fees from deposit accounts. The increase in overdraft fees was driven primarily by the combination of several pricing adjustments implemented during 2002 and 2003 as well as continued growth in core deposit products. Revenue from trust services increased $0.2 million or 29% for the quarter ended September 30, 2003 over the same period in 2002, due in part to an increase in estate management services. Broker/dealer and insurance revenue increased $0.4 million or 27% for the quarter ended September 30, 2003 over the same period in 2002, due primarily to the Company's initiative in delivering financial service related products through its 111-branch network, which was implemented at the end of 2002. Bank Owned Life Insurance ("BOLI") income increased $0.4 million for the quarter ended September 30, 2003 when compared to the same period in 2002, resulting from the $30.0 million BOLI purchase in June 2003.

Noninterest Expense

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

	THREE MONTHS ENDED SEPTEMBER 30,	
(in thousands)	2003	2002
Salaries and employee benefits	$ 12,486	$ 11,720
Occupancy	2,143	2,032
Equipment	1,909	1,672
Data processing and communications	2,640	2,705
Professional fees and outside services	1,421	1,446
Office supplies and postage	1,104	1,116
Amortization of intangible assets	158	177
Loan collection and other real estate owned	448	570
Capital securities	181	221
Other	3,493	3,661
Total noninterest expense	$ 25,983	$ 25,320

Noninterest expense for the quarter ended September 30, 2003 was $26.0 million, up $0.7 million or 3% from $25.3 million for the same period in 2002. The increase in noninterest expense resulted primarily from an increase in salaries and employee benefits of $0.8 million or 7%. This increase resulted primarily from an increase in salaries resulting from increases in merit adjustments and full time equivalent employees.

Income Taxes

Income tax expense for the three months ended September 30, 2003 was $5.3 million for an effective tax rate of 30.8%, compared to $5.6 million, or 32.9%, for the same period in 2002. The lower effective tax rate in the 2003 period resulted primarily from an increase in tax exempt income when compared to the same period in 2002.

NINE MONTHS ENDED SEPTEMBER 30, 2003 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2002

Net Interest Income

Net interest income on a federal taxable equivalent basis (FTE) decreased $2.9 million to $110.4 million for 2003 compared to $113.3 million for 2002. The net interest margin declined 28 bp from 4.47% to 4.19%. The decrease in FTE net interest income resulted primarily from earning assets re-pricing downward at a faster rate than interest-bearing liabilities. The yield on earning assets decreased 86 bp, to 6.02% for 2003, from 6.88% for 2002. Meanwhile, the rate paid on interest-bearing liabilities decreased 70 bp, to 2.15% for 2003, from 2.85% for 2002.

Total FTE interest income for 2003 decreased $16.7 million compared to 2002, a result of the previously mentioned decrease in yield on earning assets. The decline in yield on earning assets resulted primarily from an increase in prepayment activity from mortgage-related securities and loans. The prepayments from mortgage-related securities and loans were subsequently reinvested at lower rates. Furthermore, prepayments on mortgage-related securities resulted in an accelerated level of amortization of securities premiums, leading to a decrease in interest income. The yield on securities available for sale declined 148 bp from 6.21% for the nine months ended September 30, 2002 to 4.73% for the same period in 2003. During the same time period, total interest expense decreased $13.6 million, primarily the result of the low rate environment mentioned above, as well as an improvement in the mix of the Company's interest-bearing liabilities.

Noninterest Income

The following table sets forth information by category of noninterest income for the periods indicated:

(in thousands)

	NINE MONTHS ENDED SEPTEMBER 30, 2003	NINE MONTHS ENDED SEPTEMBER 30, 2002
Service charges on deposit accounts	$ 11,531	$ 9,820
Broker/dealer and insurance fees	4,905	4,371
Trust	2,966	2,366
Bank Owned Life Insurance income	412	-
Net securities gains (losses)	83	(439)
Other	7,757	7,136
Total	$ 27,654	$ 23,254

Noninterest income for the nine months ended September 30, 2003 was $27.7 million, up $4.4 million or 19% from $23.3 million for the same period in 2002. Service charges on deposit accounts for the nine months ended September 30, 2003 increased $1.7 million or 17% over the same period in 2002. The increase in service charges on deposit accounts resulted primarily from higher overdraft fees resulting from recent pricing changes and continued growth from core deposits. Other income for the nine months ended September 30, 2003 increased $0.6 million or 9% over the same period in 2002. The increase in other income was driven primarily by strong growth in ATM fees. Securities transactions resulted in a $0.1 million net gain for the nine months ended September 30, 2003 and a $0.4 million net loss resulting from a write-down of an impaired security for the same period in 2002. Revenue from trust services increased $0.6 million or 25% for the nine months ended September 30, 2003 over the same period in 2002, due in part to higher fees collected for estate management services as well as an increase in assets under management resulting from improved stock market conditions and an increase in managed trust accounts. Broker/dealer and insurance revenue increased $0.5 million or 12% for the nine months ended September 30, 2003 over the same period in 2002, due primarily to the Company's initiative in delivering financial service related products through its 111-branch network, which was implemented at the end of 2002. Bank Owned Life Insurance ("BOLI") income increased $0.4 million for the nine months ended September 30, 2003 when compared to the same period in 2002, resulting from the $30.0 million BOLI purchase in June 2003.

Noninterest Expense

The following table sets forth information by category of noninterest expense for the periods indicated:

(in thousands)	NINE MONTHS ENDED SEPTEMBER 30, 2003	2002
Salaries and employee benefits	$ 37,205	$ 36,591
Occupancy	6,851	6,297
Equipment	5,619	5,204
Data processing and communications	8,081	7,868
Professional fees and outside services	3,963	4,843
Office supplies and postage	3,188	3,240
Amortization of intangible assets	475	610
Loan collection and other real estate owned	1,204	2,245
Capital securities	551	667
Other	10,586	9,029
Total noninterest expense	$ 77,723	$ 76,594

Noninterest expense for the nine months ended September 30, 2003 was $77.7 million, up $1.1 million or 1% from $76.6 million for the same period in 2002. The increase in noninterest expense was due primarily to increases in other operating expense, salaries and employee benefits and occupancy expense partially offset by decreases in loan collection and OREO expenses and professional fees and outside services. Other operating expense increased $1.6 million, primarily from a $0.6 million charge for the writedown of venture capital investments (during the second quarter of 2003) and other miscellaneous charges. Salaries and employee benefits increased $0.6 million, due primarily to increased incentive compensation costs. The $0.6 million increase in occupancy expense was driven primarily by the opening of a new operations facility located at the Company's headquarters in Norwich, New York during the first quarter of 2003 and higher maintenance costs associated with several severe winter storms. Loan collection and OREO expenses decreased $1.0 million from gains on the sale of OREO and a decrease in nonperforming loans. Professional fees and outside services decreased $0.9 million primarily from a $0.4 million charge related to an adverse judgement against the Company in 2002 as well as legal fees incurred during 2002 for the recovery of deposit overdraft writeoffs.

Income Taxes

Income tax expense for 2003 was $16.0 million for an effective tax rate of 31.3%, compared to $16.5 million, or 32.8%, for 2002. The lower tax rate in the 2003 period resulted primarily from an increase in tax exempt income when compared to the same period in 2002.

ANALYSIS OF FINANCIAL CONDITION

Loans and Leases

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

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

A summary of loans and leases, net of deferred fees and origination costs, by category for the periods indicated follows:

(in thousands)	September 30, 2003	December 31, 2002	September 30, 2002
Commercial and commercial mortgages*	$ 1,095,463	$ 1,057,815	$ 1,056,201
Residential real estate mortgages	677,540	610,256	626,838
Consumer	717,216	626,767	621,040
Leases	60,247	61,094	63,609
Total loans and leases	$ 2,550,466	$ 2,355,932	$ 2,367,688

*Includes agricultural loans

Total loans and leases were $2.6 billion, or 63.0% of assets, at September 30, 2003, compared to $2.4 billion, or 63.3%, at December 31, 2002, and $2.4 billion, or 63.5%, at September 30, 2002. Total loans and leases increased $194.5 million at September 30, 2003 when compared to December 31, 2002. Consumer loans increased $90.4 million, from December 31, 2002 or 14.4%. The increase in consumer loans was due primarily to strong growth from home equity and indirect loan products. Residential real estate mortgages increased $67.3 million, from December 31, 2002 or 14.7%. Additionally, commercial loans and commercial mortgages increased $37.7 million, from December 31, 2002, or 4.7%. The increase in these loan categories resulted from continued growth within existing markets combined with an expanded presence in newer markets now served by the Company.

Securities

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

Average total securities increased $26.6 million for the nine months ended September 30, 2003 when compared to the same period in 2002. The average balance of securities available for sale increased $33.7 million for the nine months ended September 30, 2003 when compared to the same period in 2002. The average balance of securities held to maturity decreased $7.1 million for the nine months ended September 30, 2003, when compared to the same period in 2002. The net increase in securities resulted from pre-investing expected fourth quarter investment securities cash flows. The average total securities portfolio represented 28% of total average earning assets for the nine months ended September 30, 2003 and 2002.

At September 30, 2003, approximately 64.6% of the Company's investment securities were comprised of either mortgage-backed securities ("MBS") or collateralized mortgage obligations ("CMO") compared to 67.7% at September 30, 2002. During the period between September 30, 2002 and September 30, 2003, the Company's MBS and CMO experienced increases in prepayments resulting from the low interest rate environment. As the Company received the cash flows from accelerated prepayments from MBS and CMO, the Company reinvested these funds primarily into short-term MBS, which generally contain a stated maturity of 10/15 years and a expected duration ranging from 3 to 5 years as opposed to 20/30 year MBS which generally have an expected duration ranging from 5 to 7 years. As such, the Company is positioned to take advantage of deploying funds in a rising rate environment, as sufficient cash flow should be generated by 10/15-year MBS securities. At September 30, 2003, approximately 79.7% of MBS and CMO were comprised of securities containing 10/15-year term as compared to 59.4% at September 30, 2002.

There is one security with the other-than-temporary impairment charge at September 30, 2003 and 2002, which had a remaining carrying value of $0.6 million and $1.1 million, respectively, and is classified as a security available for sale on nonaccrual status. The Company recorded a $0.7 million pre-tax charge during the three months ended March 31, 2002, related to the other-than-temporarily impaired security classified as available for sale. The charge was recorded in net security (losses) gains on the consolidated statements of income.

Included in the securities available for sale portfolio at September 30, 2002 and December 31, 2002 were certain securities (private issue CMO, asset-backed securities, and private issue MBS) previously held by CNB. These securities contained a higher level of credit risk when compared to other securities held in the Company's investment portfolio because they were not guaranteed by a governmental agency or a government sponsored enterprise (GSE). The Company's general practice is to purchase CMO and MBS that are guaranteed by a governmental agency or a GSE coupled with a strong credit rating, typically AAA, issued by Moody's or Standard and Poors.

At December 31, 2002, the amortized cost and fair value of these high-risk securities amounted to $12.0 million and $10.7 million, respectively, down from $27.5 million and $26.8 million, respectively, at September 30, 2002. The decrease at December 31, 2002, when compared to September 30, 2002, resulted primarily from sales and to a lesser extent principal paydowns. During 2002, the Company sold $22.4 million of these securities due to both a rapid deterioration in the financial condition of the underlying collateral in 2002 related to a certain number of these securities as well as the Company's goal of reducing exposure to these types of securities in general. The net loss realized from the sale of these securities was $7.4 million. Offsetting these net losses were net gains of $7.3 million, resulting from the sale of approximately $187.0 million in other securities available for sale during 2002. At September 30, 2003, the Company had no exposure to these high-risk securities, as the remaining $12.0 million at December 31, 2002 were sold during the three months ended March 31, 2003 at a net loss of $3.9 million. Offsetting these net losses, were net gains of $3.9 million from the sale of approximately $157.4 million in other securities available for sale during the first quarter of 2003.

Bank Owned Life Insurance ("BOLI")

The Company purchased $30 million in BOLI in June 2003. BOLI represents life insurance on the lives of certain employees who are deemed to be significant contributors to the Company. All employees in the policy are aware of and have consented to the coverage. Increases in the cash value of the policies, as well as insurance proceeds that may be received, are recorded in other noninterest income, and are not subject to income taxes. The Company reviewed the financial strength of the insurance carriers prior to the purchase of BOLI and will do so annually thereafter.

Allowance for Loan and Lease Losses, Nonperforming Assets and the Provision for Loan and Lease Losses

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

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

For purposes of evaluating the adequacy of the allowance, the Company considers a number of significant factors that affect the collectibility of the portfolio. For individually analyzed loans, these include estimates of loss exposure, which reflect the facts and circumstances that affect the likelihood of repayment of such loans as of the evaluation date. For homogeneous pools of loans and leases, estimates of the Company's exposure to credit loss reflect a thorough current assessment of a number of factors, which could affect collectibility. These factors include: past loss experience; the size, trend, composition, and nature of the loans and leases; changes in lending policies and procedures, including underwriting standards and collection, charge-off and recovery practices; trends experienced in nonperforming and delinquent loans and leases; current economic conditions in the Company's market; portfolio concentrations that may affect loss experienced across one or more components of the portfolio; the effect of external factors such as competition, legal and regulatory requirements; and the experience, ability, and depth of lending management and staff. In addition, various regulatory agencies, as an integral component of their examination process, periodically review the Company's allowance for loan and lease losses. Such agencies may require the Company to recognize additions to the allowance based on their judgment about information available to them at the time of their examination, which may not be currently available to management.

After a thorough consideration and validation of the factors discussed above, required additions to the allowance for loan and lease losses are made periodically by charges to the provision for loan and lease losses. These charges are necessary to maintain the allowance at a level which management believes is reasonably reflective of overall inherent risk of probable loss in the portfolio. While management uses available information to recognize losses on loans and leases, additions to the allowance may fluctuate from one reporting period to another. These fluctuations are reflective of changes in risk associated with portfolio content and/or changes in management's assessment of any or all of the determining factors discussed above. The allowance for loan and lease losses to outstanding loans and leases at September 30, 2003 was 1.63% compared to 1.83% at September 30, 2002. Management considers the allowance for loan and lease losses to be adequate based on evaluation and analysis of the loan portfolio.

Table 4 reflects changes to the allowance for loan and lease losses for the periods presented. The allowance is increased by provisions for losses charged to operations and is reduced by net chargeoffs. Chargeoffs are made when the collectability of loan principal within a reasonable time is unlikely. Any recoveries of previously charged-off loans are credited directly to the allowance for loan losses.

TABLE 4
ALLOWANCE FOR LOAN AND LEASE LOSSES

(dollars in thousands)	Three months ended September 30, 2003		Three months ended September 30, 2002		Nine months ended September 30, 2003		Nine months ended September 30, 2002	
Balance, beginning of period	$40,858		$ 43,719		$40,167		$44,746	
Recoveries	1,369		1,014		4,286		3,314	
Chargeoffs	(2,991)		(3,827)		(8,570)		(11,257)	
Net chargeoffs	(1,622)		(2,813)		(4,284)		(7,943)	
Provision for loan losses	2,436		2,424		5,789		6,527	
Balance, end of period	$41,672		$43,330		$41,672		$43,330	
COMPOSITION OF NET CHARGEOFFS								
Commercial and agricultural	$ (603)	37%	($1,895)	67%	$(1,453)	33%	($4,212)	53%
Real estate mortgage	(2)	1%	(204)	7%	76	0%	(575)	7%
Consumer	(1,017)	62%	(714)	26%	(2,907)	67%	(3,156)	40%
Net chargeoffs	$(1,622)	100%	($2,813)	100%	$(4,284)	100%	($7,943)	100%
Annualized net chargeoffs to average loans	0.25%		0.48%		0.24%		0.46%	

Nonperforming assets consist of nonaccrual loans, loans 90 days or more past due, trouble debt restructured loans, other real estate owned (OREO), and nonperforming securities. Loans are generally placed on nonaccrual when principal or interest payments become ninety days past due, unless the loan is well secured and in the process of collection. Loans may also be placed on nonaccrual when circumstances indicate that the borrower may be unable to meet the contractual principal or interest payments. OREO represents property acquired through foreclosure and is valued at the lower of the carrying amount or fair market value, less any estimated disposal costs. Nonperforming securities include securities which management believes are other-than-temporarily impaired, carried at their estimated fair value and are not accruing interest.

Total nonperforming assets were $19.0 million at September 30, 2003, compared to $30.5 million at December 31, 2002, and $35.1 million at September 30, 2002. The decrease in nonperforming assets resulted primarily from the Company's focus on reducing nonperforming loans. Nonperforming loans totaled $16.5 million at September 30, 2003, down from the $26.4 million outstanding at December 31,

2002. The $9.9 million decrease in nonperforming loans from December 31, 2002 to September 30, 2003 was due primarily to the Company's successful efforts in selling certain large problematic commercial loans as well as a group of nonperforming real estate mortgages at approximately their book value. Nonaccrual commercial and agricultural loans decreased $6.1 million, from $17.0 million at December 31, 2002, to $10.8 million at September 30, 2003. Nonaccrual real estate mortgages decreased $3.7 million, from $5.5 million at December 31, 2002, to $1.9 million at September 30, 2003.

In addition to the nonperforming loans discussed above, the Company has also identified approximately $56.5 million in potential problem loans at September 30, 2003 as compared to $48.5 million at December 31, 2002. Potential problem loans are loans that are currently performing, but where known information about possible credit problems of the related borrowers causes management to have serious doubts as to the ability of such borrowers to comply with the present loan repayment terms and which may result in disclosure of such loans as nonperforming at some time in the future. At the Company, potential problem loans are typically loans that are performing but are classified by the Company's loan rating system as "substandard" or lower. At September 30, 2003, potential problem loans primarily consisted of commercial real estate and commercial and agricultural loans. Management cannot predict the extent to which economic conditions may worsen or other factors which may impact borrowers and the potential problem loans. Accordingly, there can be no assurance that other loans will not become 90 days or more past due, be placed on non-accrual, become restructured, or require increased allowance coverage and provision for loan losses.

Net charge-offs totaled $1.6 million for the three months ended September 30, 2003, down $1.2 million from the $2.8 million charged-off during the same period in 2002. Despite improvements in nonperforming loans and lower net charge-offs, the provision for loan and leases loss remained relatively unchanged, totaling $2.4 million for the three months ended September 30, 2003 and 2002. The amount of provision for the three months ended September 30, 2003 was driven primarily by strong loan growth during the period (11% annualized growth rate from December 31, 2002) and weak local economic conditions, offset by the decrease in net charge-offs and nonperforming loans.

Net charge-offs totaled $4.3 million for the nine months ended September 30, 2003, down $3.7 million from the $7.9 million charged-off during the same period in 2002. The provision for loan and lease losses totaled $5.8 million for the nine months ended September 30, 2003, down from the $6.5 million provided during the same period in 2002.

TABLE 5
NONPERFORMING ASSETS

(dollars in thousands)	SEPTEMBER 30, 2003	December 31, 2002	September 30, 2002
Commercial and agricultural	$ 10,841	$ 16,980	$ 19,457
Real estate mortgage	1,857	5,522	8,024
Consumer	2,576	1,507	2,000
Total nonaccrual loans	15,274	24,009	29,481
Loans 90 days or more past due and still accruing:			
Commercial and agricultural	71	237	88
Real estate mortgage	721	1,325	625
Consumer	402	414	125
Total loans 90 days or more past due and still accruing	1,194	1,976	838
Restructured loans in compliance with modified terms	-	409	412
Total nonperforming loans	16,468	26,394	30,731
Other real estate owned (OREO)	1,871	2,947	3,092
Total nonperforming loans and OREO	18,339	29,341	33,823
Nonperforming securities	619	1,122	1,312
Total nonperforming assets	$ 18,958	$ 30,463	$ 35,135
Total nonperforming loans to loans and leases	0.65%	1.12%	1.30%
Total nonperforming assets to assets	0.47%	0.82%	0.94%
Total allowance for loan and lease losses to nonperforming loans	253.05%	152.18%	141.00%

Deposits

Total deposits were $3.0 billion at September 30, 2003, an increase of $49.0 million, or 2%, from December 31, 2002, and an increase of $49.1 million, or 2%, from the same period in the prior year. Total average deposits increased $34.4 million, or 1%, from the three months ended September 30, 2002 to the same period in 2003. The Company experienced a decline in time deposits, as average time deposits declined $156.7 million or 12%, from the three months ended September 30, 2002 to the same period in 2003. Meanwhile, the total of average demand deposits, money market deposits, NOW, and savings increased $233.8 million or 15%, from the three months ended September 30, 2002 to the same period in 2003. The Company has focused on maintaining and growing its base of lower cost checking, savings and money market accounts while allowing runoff of some of its higher cost time deposits, particularly municipal and jumbo time deposits. The Company may price municipal and jumbo time deposits more aggressively if liquidity needs increase. At September 30, 2003, total checking, savings and money market accounts represented 62% of total deposits compared to 55% at September 30, 2002.

Borrowings

The Company's borrowed funds consist of short-term borrowings and long-term debt. Short-term borrowings totaled $332.0 million at September 30, 2003 compared to $105.6 million and $113.3 million at December 31, and September 30, 2002, respectively. The increase in short-term borrowings resulted from strong loan growth during the year and pre-investment of expected fourth quarter investment securities cash flows at the end of September 2003. Long-term debt was $369.7 million at September 30, 2003, compared to $345.5 million and $350.6 million at December 31, and September 30, 2002, respectively.

CAPITAL RESOURCES

Stockholders' equity of $304.7 million represents 7.5% of total assets at September 30, 2003, compared with $287.6 million, or 7.7% in the comparable period of the prior year, and $292.4 million, or 7.9% at December 31, 2002. The Company does not have a target dividend payout ratio, rather the Board of Directors considers the Company's earnings position and earnings potential when making dividend decisions.

As the capital ratios in Table 6 indicate, the Company remains well capitalized. Capital measurements are significantly in excess of regulatory minimum guidelines and meet the requirements to be considered well capitalized for all periods presented. Tier 1 leverage, Tier 1 capital and Risk-based capital ratios have regulatory minimum guidelines of 3%, 4% and 8% respectively, with requirements to be considered well capitalized of 5%, 6% and 10%, respectively.

TABLE 6
CAPITAL MEASUREMENTS

	As of and for the quarter ended		
	March 31	June 30	September 30
	2003		
Tier 1 leverage ratio	6.71%	6.72%	6.77%
Tier 1 capital ratio	9.77%	9.44%	9.78%
Total risk-based capital ratio	11.02%	10.70%	11.03%
Cash dividends as a percentage of net income	47.87%	46.68%	47.13%
Per common share:			
Book value	$ 9.00	$ 9.19	$ 9.32
Tangible book value	$ 7.50	$ 7.64	$ 7.79
	2002		
Tier 1 leverage ratio	6.70%	6.78%	6.60%
Tier 1 capital ratio	9.97%	10.04%	9.74%
Total risk-based capital ratio	11.23%	11.30%	10.98%
Cash dividends as a percentage of net income	50.69%	50.12%	50.03%
Per common share:			
Book value	$ 8.09	$ 8.52	$ 8.79
Tangible book value	$ 6.61	$ 7.05	$ 7.31

Table 7 presents the high, low and closing sales price for the common stock as reported on the NASDAQ Stock Market, and cash dividends declared per share of common stock. The Company's price to book value ratio was 2.17 at September 30, 2003 and 1.96 a year ago. The per share market price was 14.19 times annualized earnings at September 30, 2003 and 12.82 times annualized earnings at September 30, 2002.

TABLE 7
QUARTERLY COMMON STOCK AND DIVIDEND INFORMATION

Quarter Ending	High	Low	Close	Cash Dividends Declared
2002				
March 31	$ 15.15	$13.15	$14.74	$ 0.170
June 30	19.32	14.00	18.07	0.170
September 30	18.50	16.36	17.27	0.170
December 31	18.60	14.76	17.07	0.170
2003				
MARCH 31	$ 18.60	$16.76	$17.43	$ 0.170
JUNE 30	19.94	17.37	19.36	0.170
SEPTEMBER 30	21.76	19.24	20.25	0.170

STOCK REPURCHASE PLAN

On July 22, 2002, the Company announced that it intended to repurchase up to one million shares (approximately 3%) of its outstanding common stock from time to time in open market and privately negotiated transactions. Since the announcement of the Stock Repurchase Plan, the Company repurchased a total of 844,946 shares at an average price of $17.54 per share. Total cash allocated for these repurchases during this period was $14.8 million. For the nine months ended September 30, 2003, the Company repurchased 369,313 shares at an average price of $17.57 per share.

On April 28, 2003, the Company announced that it intended to repurchase up to an additional one million shares (approximately 3%) of its outstanding common stock from time to time in open market and privately negotiated transactions. Currently there are 155,054 shares remaining under the previous authorization that will be repurchased prior to the commencement of the new program.

LIQUIDITY AND INTEREST RATE SENSITIVITY MANAGEMENT

MARKET RISK

Interest rate risk is among the most significant market risk affecting the Company. Other types of market risk, such as foreign currency exchange rate risk and commodity price risk, do not arise in the normal course of the Company's business activities. Interest rate risk is defined as an exposure to a movement in interest rates that could have an adverse effect on the Company's net interest income. Net interest income is susceptible to interest rate risk to the degree that interest-bearing liabilities mature or reprice on a different basis than earning assets. When interest-bearing liabilities mature or reprice more quickly than earning assets in a given period, a significant increase in market rates of interest could adversely affect net interest income. Similarly, when earning assets mature or reprice more quickly than interest-bearing liabilities, falling interest rates could result in a decrease in net interest income.

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

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

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

The model is first run under an assumption of a flat rate scenario (i.e. no change in current interest rates) with a static balance sheet over a 12-month period. Three additional models are run with static balance sheets; (1) a gradual increase of 200 bp, (2) a gradual increase of 200 bp where the long end of the yield curve remains flat (the long end of the yield curve is defined as 5 years and longer) and (3) a gradual decrease of 75 bp takes place over a 12 month period with a static balance sheet. Under these scenarios, assets subject to prepayments are adjusted to account for faster or slower prepayment assumptions. Any investment securities or borrowings that have callable options embedded into them are handled accordingly based on the interest rate scenario. The resultant changes in net interest income are then measured against the flat rate scenario.

In the declining rate scenario, net interest income is projected to decrease slightly when compared to the forecasted net interest income in the flat rate scenario through the simulation period. The decrease in net interest income is a result of interest-bearing liabilities repricing downward at a slower rate than earning assets. The inability to effectively lower deposit rates will likely reduce or eliminate the benefit of lower interest rates. In the rising rate scenarios of rates rising gradually 200 bp and the long end of the yield curve remains flat and the short end of the curve increases 200 bp gradually, net interest income is also projected to experience declines from the flat rate scenario. Net interest income is projected to remain at lower levels than in a flat rate scenario through the simulation period primarily due to a lag in assets repricing while funding costs increase. The potential impact on earnings is dependent on the ability to lag deposit repricing.

Net interest income for the next twelve months in the + 200/+ 200 flat/- 75 bp scenarios, as described above, is within the internal policy risk limits of not more than a 7.5% change in net interest income. The following table summarizes the percentage change in net interest income in the rising and declining rate scenarios over a 12-month period from the forecasted net interest income in the flat rate scenario using the September 30, 2003 balance sheet position:

TABLE 10
INTEREST RATE SENSITIVITY ANALYSIS

CHANGE IN INTEREST RATES (IN BASIS POINTS)	PERCENT CHANGE IN NET INTEREST INCOME
+ 200 FLAT	(2.04%)
+ 200	(1.11%)
- 75	(0.06%)

Currently, the Company is holding fixed rate residential real estate mortgages in its loan portfolio and mortgage related securities in its investment portfolio. Two major factors the Company considers in holding residential real estate mortgages is its level of core deposits and the duration of its mortgage-related securities and loans. Current core deposit levels combined with a shortening of duration of mortgage-related securities and loans have enabled the Company to hold fixed rate residential real estate mortgages without having a significant negative impact on interest rate risk, as the Company is well matched at September 30, 2003. The Company's net interest income is projected to decrease by 1.11% if interest rates gradually rise 200 basis points. The Company's exposure to 30-year fixed rate mortgage related securities and loans have decreased approximately $91.8 million from September 30, 2002 to September 30, 2003. From December 31, 2002, we have reduced our exposure to 30-year fixed rate mortgage related securities and loans by $54.4 million. Approximately 11.5% of earning assets were comprised of 30-year fixed rate mortgage related securities and loans at September 30, 2003, down from a ratio of 15.1% at September 30, 2002. The Company closely monitors its matching of earning assets to funding sources. If core deposit levels decrease or the rate of growth in core deposit levels does not equal or exceed the rate in growth of 30-year fixed rate real estate mortgage related securities or loans, the Company will reevaluate its strategy and may sell new originations of fixed rate mortgages in the secondary market or may sell certain mortgage related securities in order to limit the Company's exposure to long-term earning assets.

LIQUIDITY RISK

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

The primary liquidity measurement the Company utilizes is called the Basic Surplus which captures the adequacy of its access to reliable sources of cash relative to the stability of its funding mix of average liabilities. This approach recognizes the importance of balancing levels of cash flow liquidity from short- and long-term securities with the availability of dependable borrowing sources which can be accessed when necessary. At September 30, 2003, the Company's Basic Surplus measurement was 9.0% of total assets or $366 million, which was above the Company's minimum of 5% or $202 million set forth in its liquidity policies.

This Basic Surplus approach enables the Company to adequately manage liquidity from both operational and contingency perspectives. By tempering the need for cash flow liquidity with reliable borrowing facilities, the Company is able to operate with a more fully invested and, therefore, higher interest income generating, securities portfolio. The makeup and term structure of the securities portfolio is, in part, impacted by the overall interest rate sensitivity of the balance sheet. Investment decisions and deposit pricing strategies are impacted by the liquidity position. At September 30, 2003, the Company considered its Basic Surplus adequate to meet liquidity needs.

The Company's primary source of funds is from its subsidiary, NBT Bank. Certain restrictions exist regarding the ability of the Company's subsidiary bank to transfer funds to the Company in the form of cash dividends. The approval of the Office of Comptroller of the Currency (OCC) is required to pay dividends when a bank fails to meet certain minimum regulatory capital standards or when such dividends are in excess of a subsidiary bank's earnings retained in the current year plus retained net profits for the preceding two years (as defined in the regulations). At September 30, 2003, approximately $22.5 million of the total stockholders' equity of NBT Bank was available for payment of dividends to the Company without approval by the OCC. NBT Bank's ability to pay dividends also is subject to the Bank being in compliance with regulatory capital requirements. NBT Bank is currently in compliance with these requirements. Under the State of Delaware Business Corporation Law, the Company may declare and pay dividends either out of accumulated net retained earnings or capital surplus.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Information called for by Item 3 is contained in the Liquidity and Interest Rate Sensitivity Management section of the Management Discussion and Analysis.

ITEM 4. CONTROLS AND PROCEDURES

The Company's management, including the Company's Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15(d)-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, the Company's disclosure controls and procedures were effective in ensuring that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commissions rules and forms.

There were no changes made in the Company's internal controls over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 5 -- Other Information

On October 27, 2003, NBT Bancorp Inc. announced the declaration of a regular quarterly cash dividend of $0.17 per share. The cash dividend will be paid on December 15, 2003 to stockholders of record as of December 1, 2003.

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

(a) Exhibits

- 10.1 Form of Employment Agreement between NBT Bancorp Inc. and Daryl R. Forsythe made as of August 2, 2003.
- 10.2 Form of Employment Agreement between NBT Bancorp Inc. and Martin A. Dietrich made as of August 2, 2003.
- 31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Written Statement of the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Written Statement of the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) During the quarter ended September 30, 2003, the Company filed the following Current Reports on Form 8-K:

The Company filed a Current Report on Form 8-K dated July 29, 2003, which contained a press release announcing financial results for the quarter and six months ended June 30, 2003 and a dividend declaration to be paid on September 15, 2003 to stockholders of record as of September 1, 2003.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report on FORM 10-Q to be signed on its behalf by the undersigned thereunto duly authorized, this 12th day of November 2003.

NBT BANCORP INC.

By: /s/ MICHAEL J. CHEWENS

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

Index to Exhibits

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EXHIBIT 10.1

Form of Employment Agreement between NBT Bancorp Inc. and Daryl R. Forsythe made as of August 2, 2003.

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement") made and entered into as of the second day of August 2003, by and between DARYL R. FORSYTHE ("Executive") and NBT BANCORP INC., a Delaware corporation having its principal office in Norwich, New York ("NBTB")

W I T N E S S E T H T H A T:

WHEREAS, Executive is the chairman, president and chief executive officer of NBTB; and

WHEREAS, NBTB desires to secure the continued employment of Executive, subject to the provisions of this Agreement; and

WHEREAS, Executive is desirous of entering into the Agreement for such periods and upon the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements hereinafter set forth, intending to be legally bound, the parties agree as follows:

1. Employment; Responsibilities and Duties.

(a) NBTB hereby agrees to employ Executive, and Executive hereby agrees to serve as the chairman, president and chief executive officer of NBTB until December 31, 2004 and chairman and chief executive officer of NBTB until December 31, 2005 at which time the Executive shall retire as an active employee. Commencing January 1, 2006 and continuing for as long as Executive is a member of the NBTB Board of Directors, Executive agrees to serve as chairman of NBTB. Executive shall have such executive duties, responsibilities, and authority as shall be set forth in the bylaws of NBTB or as may otherwise be determined by NBTB.

(b) Executive shall devote his full working time and best efforts to the performance of his responsibilities and duties hereunder. During the Term of Agreement, Executive shall not, without the prior written consent of the Board of Directors of NBTB, render services as an employee, independent contractor, or otherwise, whether or not compensated, to any person or entity other than NBTB or its affiliates; provided that Executive may, where involvement in such activities does not individually or in the aggregate significantly interfere with the performance by Executive of his duties or violate the provisions of section 4 hereof, (i) render services to charitable organizations, (ii) manage his personal investments, and (iii) with the prior permission of the Board of Directors of NBTB, hold such other directorships or part-time academic appointments or have such other business affiliations as would otherwise be prohibited under this section 1.

2. Term of Agreement

(a) The term of this Agreement ("Term of Agreement") shall be the period commencing on the date of this Agreement (the "Commencement Date") and continuing until the Termination Date, which shall mean the earliest to occur of:

(i) the Executive is no longer a director of NBTB;

(ii) the death of Executive;

(iii) Executive's inability to perform his duties hereunder, as a result of physical or mental disability as reasonably determined by the personal physician of Executive, for a period of at least 180 consecutive days or for at least 180 days during any period of twelve consecutive months during the Term of Employment; or

(iv) the discharge of Executive by NBTB "for cause," which shall mean one or more of the following:

(A) any willful or gross misconduct by Executive with respect to the business and affairs of NBTB or with respect to any of its affiliates for which Executive is assigned material responsibilities or duties;

(B) the conviction of Executive of a felony (after the earlier of the expiration of any applicable appeal period without perfection of an appeal by Executive or the denial of any appeal as to which no further appeal or review is available to Executive) whether or not committed in the course of his employment by NBTB;

(C) Executive's willful neglect, failure, or refusal to carry out his duties hereunder in a reasonable manner (other than any such failure resulting from disability or death or from termination by Executive for Good Reason, as hereinafter defined) after a written demand for substantial performance is delivered to Executive that specifically identifies the manner in which NBTB believes that Executive has not substantially performed his duties and Executive has not resumed substantial performance of his duties on a continuous basis within thirty days of receiving such demand; or

(D) the breach by Executive of any representation or warranty in section 6(a) hereof or of any agreement contained in section 1, 4, 5, or 6(b) hereof, which breach is material and adverse to NBTB or any of its affiliates for which Executive is assigned material responsibilities or duties; or

(v) Executive's resignation from his position as chairman, president, or chief executive officer of NBTB for other than "Good Reason," as hereinafter defined; or

(vi) the termination of Executive's employment by NBTB "without cause," which shall be for any reason other than those set forth in subsections (i), (ii), (iii), (iv), or (v) of this section 2(a), at any time, upon the thirtieth day following notice to Executive; or

(vii) Executive's resignation for "Good Reason."

"Good Reason" shall mean, without Executive's express written consent, reassignment of Executive to a position other than as set forth in section 1(a) of this Agreement other than for "Cause," or a decrease in the amount or level of Executive's salary or benefits from the amount or level established in section 3 hereof.

(b) In the event that the Term of Agreement shall be terminated for any reason other than that set forth in section 2(a)(iii), 2(a)(vi) or 2(a)(vii) hereof, Executive shall be entitled to receive, upon the occurrence of any such event:

(i) any salary (as hereinafter defined) payable pursuant to section 3(a)(i) hereof which shall have accrued as of the Termination Date; and

(ii) such rights as Executive shall have accrued as of the Termination Date under the terms of any plans or arrangements in which he participates pursuant to section 3(b) hereof, any right to reimbursement for expenses accrued as of the Termination Date payable pursuant to section 3(h) hereof, and the right to receive the cash equivalent of paid annual leave and sick leave accrued as of the Termination Date pursuant to section 3(d) hereof.

(c) In the event that the Term of Agreement shall be terminated for the reason set forth in section 2(a)(iii), 2(a)(vi) or 2(a)(vii) hereof, Executive shall be entitled to receive:

(i) any salary payable pursuant to section 3(a)(i) hereof which shall have accrued as of the Termination Date, and, for the period commencing on the date immediately following the Termination Date and ending upon and including the later of the third anniversary of the Commencement Date or the first anniversary of the Termination Date, salary payable at the rate established pursuant to section 3(a)(i) hereof, in a manner consistent with the normal payroll practices of NBTB with respect to executive personnel as presently in effect or as they may be modified by NBTB from time to time; and

(ii) such rights as Executive may have accrued as of the Termination Date under the terms of any plans or arrangements in which he participates pursuant to section 3(b) hereof, any right to reimbursement for expenses accrued as of the Termination Date payable pursuant to section 3(h) hereof, and the right to receive the cash equivalent of paid annual leave and sick leave accrued as of the Termination Date pursuant to section 3(d) hereof.

(d) Any provision of this section 2 to the contrary notwithstanding, in the event that the employment of Executive with NBTB is terminated in any situation described in section 3 of the change-in-control letter agreement dated July 23, 2001 between NBTB and Executive (the

"Change-in-Control Agreement") so as to entitle Executive to a severance payment and other benefits described in section 3 of the Change-in-Control Agreement, then Executive shall be entitled to receive the following, and no more, under this section 2:

(i) any salary payable pursuant to section 3(a)(i) hereof which shall have accrued as of the Termination Date;

(ii) such rights as Executive shall have accrued as of the Termination Date under the terms of any plans or arrangements in which he participates pursuant to section 3(b) hereof, any right to reimbursement for expenses accrued as of the Termination Date payable pursuant to section 3(h) hereof, and the right to receive the cash equivalent of paid annual leave and sick leave accrued as of the Termination Date pursuant to section 3(d) hereof; and

(iii) the severance payment and other benefits provided in the Change- in-Control Agreement.

3. Compensation. For the services to be performed by Executive for NBTB and its affiliates under this Agreement, Executive shall be compensated in the following manner:

(a) Salary.

(i) NBTB shall pay Executive a salary, which, on an annual basis, shall not be less than $425,000 in 2003 and $450,000 in 2004 and 2005. Salary shall be payable in accordance with the normal payroll practices of NBTB with respect to executive personnel as presently in effect or as they may be modified by NBTB from time to time.

(ii) Executive shall be eligible to be considered for performance bonuses commensurate with Executive's title and salary grade, in accordance with the compensation policies of NBTB with respect to executive personnel as presently in effect or as they may be modified by NBTB from time to time.

(iii) Commencing on January 1, 2006, Executive, as Chairman, shall receive all director compensation in effect as of this date except: Executive's annual retainer shall be $50,000 (Un-Restricted Stock); Executive shall be eligible for 5000 stock options per year based on attendance; Executive shall receive $1000 in fees for each board and committee meeting attended.

(b) Employee Benefit Plans or Arrangements. Until December 31, 2005, Executive shall be entitled to participate in all employee benefit plans of NBTB, as presently in effect or as they may be modified by NBTB from time to time, under such terms as may be applicable to officers of Executive's rank employed by NBTB or its affiliates, including, without limitation, plans providing retirement benefits, stock options, medical insurance, life insurance, disability insurance, and accidental death or dismemberment insurance, provided that there be no duplication of such benefits as are provided under any other provision of this Agreement.

(c) Stock Options and NBT Performance Share Plan. Each January or February annually until December 31, 2005, NBTB will cause Executive to be granted a non-statutory ("non-qualified") stock option (each an "Option") to purchase the number of shares of the common stock of NBTB, $0.01 par value (the "NBTB Common Stock"), pursuant to the NBT Bancorp Inc. 1993 Stock Option Plan, as amended, or any appropriate successor plan (the "Stock Option Plan"), computed by using a formula approved by NBTB that is commensurate with the Executive's title and salary grade. The option exercise price per share of the shares subject to each Option shall be such Fair Market Value, and the terms, conditions of exercise, and vesting schedule of such Option shall be as set forth in section 8 of the Stock Option Plan. In addition, until December 31, 2005, Executive shall be entitled to participate in any NBTB Performance Share Plan (the "Performance Share Plan") as applicable to officers of Executive's rank, and further, upon Executive's retirement as of December 31, 2005, Executive shall be eligible to receive a payout from any Performance Share Plan in effect as of December 31, 2005 as if Executive were employed for the duration of any current plans. For the purpose of payout calculations, it will be assumed that the plans in existence as of December 31, 2005 meet budget as a minimum during those years, if any, that are subsequent to Executive's retirement.

(d) Vacation and Sick Leave. Until December 31, 2005, Executive shall be entitled to paid annual vacation periods and sick leave in accordance with the policies of NBTB as may be applicable to officers of Executive's rank employed by NBTB or its affiliates, or as may be modified by NBTB from time to time but in no event less than five weeks of paid vacation while employed as a full time employee during any year of the Term of Agreement.

(e) Automobile. Until December 31, 2005, Executive shall be entitled to the use of an automobile owned by NBTB or an affiliate of NBTB, the make and model of which automobile shall be appropriate to an officer of Executive's rank, and which will be replaced with a new automobile every two years (or earlier if accumulated mileage exceeds 50,000 miles). Executive shall be responsible for all expenses of ownership and use of such automobile, subject to reimbursement of expenses for business use in accordance with section 3(h). Commencing January 1, 2006, ownership of the automobile in use by the Executive as of that date, shall pass without expense except for applicable taxes to the Executive and Executive shall be responsible for all future expenses of ownership and use of such automobile.

(f) Country Club Dues. During the Term of Agreement, Executive shall be reimbursed for dues and assessments incurred in relation to Executive's membership at a country club(s) mutually agreed upon by the Board of Directors of NBTB and Executive. Such reimbursement during the initial year of membership shall include any and all initiation fees incurred with respect to Executive's membership at selected club(s).

(g) Withholding. Until December 31, 2005, all compensation to be paid to Executive hereunder shall be subject to required withholding and other taxes.

(h) Expenses. During the Term of Agreement, Executive shall be reimbursed for reasonable travel and other expenses incurred or paid by Executive in connection with the performance of his services under this Agreement, upon presentation of expense statements or vouchers or such other supporting information as may from time to time be requested, in accordance with such policies of NBTB as are in effect as of the Commencement Date and as may be modified by NBTB from time to time.

4. Confidential Business Information; Non-Competition.

(a) Executive acknowledges that certain business methods, creative techniques, and technical data of NBTB and its affiliates and the like are deemed by NBTB to be and are in fact confidential business information of NBTB or its affiliates or are entrusted to third parties. Such confidential information includes but is not limited to procedures, methods, sales relationships developed while in the service of NBTB or its affiliates, knowledge of customers and their requirements, marketing plans, marketing information, studies, forecasts, and surveys, competitive analyses, mailing and marketing lists, new business proposals, lists of vendors, consultants, and other persons who render service or provide material to NBTB or its affiliates, and compositions, ideas, plans, and methods belonging to or related to the affairs of NBTB or its affiliates. In this regard, NBTB asserts proprietary rights in all of its business information and that of its affiliates except for such information as is clearly in the public domain. Notwithstanding the foregoing, information that would be generally known or available to persons skilled in Executive's fields shall be considered to be "clearly in the public domain" for the purposes of the preceding sentence. Executive agrees that he will not disclose or divulge to any third party, except as may be required by his duties hereunder, by law, regulation, or order of a court or government authority, or as directed by NBTB, nor shall he use to the detriment of NBTB or its affiliates or use in any business or on behalf of any business competitive with or substantially similar to any business of NBTB or its affiliates, any confidential business information obtained during the course of his employment by NBTB. The foregoing shall not be construed as restricting Executive from disclosing such information to the employees of NBTB or its affiliates. On or before the Termination Date, Executive shall promptly deliver to NBTB any and all tangible, confidential information in his possession.

(b) Executive hereby agrees that from the Commencement Date until the first anniversary of the Termination Date, Executive will not (i) interfere with the relationship of NBTB or its affiliates with any of their employees, suppliers, agents, or representatives (including, without limitation, causing or helping another business to hire any employee of NBTB or its affiliates), or (ii) directly or indirectly divert or attempt to divert from NBTB or its affiliates any business in which any of them has been actively engaged during the Term of Employment, nor interfere with the relationship of NBTB or its affiliates with any of their customers or prospective customers. This paragraph 4(b) shall not, in and of itself, prohibit Executive from engaging in the banking, trust, or financial services business in any capacity, including that of an owner or employee.

(c) Executive acknowledges and agrees that irreparable injury will result to NBTB in the event of a breach of any of the provisions of this section 4 (the "Designated Provisions") and that NBTB will have no adequate remedy at law with respect thereto. Accordingly, in the event of a material breach of any Designated Provision, and in addition to any other legal or equitable remedy NBTB may have, NBTB shall be entitled to the entry of a preliminary and permanent injunction (including, without limitation, specific performance) by a court of competent jurisdiction in Chenango County, New York, or elsewhere, to restrain the violation or breach thereof by Executive, and Executive submits to the jurisdiction of such court in any such action.

(d) It is the desire and intent of the parties that the provisions of this section 4 shall be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular provision of this section 4 shall be adjudicated to be invalid or unenforceable, such provision shall be deemed amended to delete therefrom the portion thus adjudicated to be invalid or unenforceable, such deletion to apply only with respect to the operation of such provision in the particular jurisdiction in which such adjudication is made. In addition, should any court determine that the provisions of this section 4 shall be unenforceable with respect to scope, duration, or geographic area, such court shall be empowered to substitute, to the extent enforceable, provisions similar hereto or other provisions so as to provide to NBTB, to the fullest extent permitted by applicable law, the benefits intended by this section 4.

5. Life Insurance. In light of the unusual abilities and experience of Executive, NBTB in its discretion may apply for and procure as owner and for its own benefit insurance on the life of Executive, in such amount and in such form as NBTB may choose. NBTB shall make all payments for such insurance and shall receive all benefits from it. Executive shall have no interest whatsoever in any such policy or policies but, at the request of NBTB, shall submit to medical examinations and supply such information and execute such documents as may reasonably be required by the insurance company or companies to which NBTB has applied for insurance. Furthermore, unless otherwise specified or agreed to by NBTB and the Executive, all policies on the Executive that are in effect as of December 31, 2005 shall remain in force.

6. Representations and Warranties.

(a) Executive represents and warrants to NBTB that his execution, delivery, and performance of this Agreement will not result in or constitute a breach of or conflict with any term, covenant, condition, or provision of any commitment, contract, or other agreement or instrument, including, without limitation, any other employment agreement, to which Executive is or has been a party.

(b) Executive shall indemnify, defend, and hold harmless NBTB for, from, and against any and all losses, claims, suits, damages, expenses, or liabilities, including court costs and counsel fees, which NBTB has incurred or to which NBTB may become subject, insofar as such losses, claims, suits, damages, expenses, liabilities, costs, or fees arise out of or are based upon any failure of any representation or warranty of Executive in section 6(a) hereof to be true and correct when made.

7. Notices. All notices, consents, waivers, or other communications which are required or permitted hereunder shall be in writing and deemed to have been duly given if delivered personally or by messenger, transmitted by telex or telegram, by express courier, or sent by registered or certified mail, return receipt requested, postage prepaid. All communications shall be addressed to the appropriate address of each party as follows:

If to NBTB:

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

Attention: Board of Directors

With a required copy to:

NBT Bancorp Inc. Corporate Counsel

If to Executive:

Mr. Daryl R. Forsythe
21 Ridgeland Road
Norwich, New York 13815

All such notices shall be deemed to have been given on the date delivered, transmitted, or mailed in the manner provided above.

8. Assignment. Neither party may assign this Agreement or any rights or obligations hereunder without the consent of the other party.

9. Governing Law. This Agreement shall be governed by, construed, and enforced in accordance with the laws of the State of New York, without giving effect to the principles of conflict of law thereof. The parties hereby designate Chenango County, New York to be the proper jurisdiction and venue for any suit or action arising out of this Agreement. Each of the parties consents to personal jurisdiction in such venue for such a proceeding and agrees that it may be served with process in any action with respect to this Agreement or the transactions contemplated thereby by certified or registered mail, return receipt requested, or to its registered agent for service of process in the State of New York. Each of the parties irrevocably and unconditionally waives and agrees, to the fullest extent permitted by law, not to plead any objection that it may now or hereafter have to the laying of venue or the convenience of the forum of any action or claim with respect to this Agreement or the transactions contemplated thereby brought in the courts aforesaid.

10. Entire Agreement. This Agreement constitutes the entire understanding among NBTB and Executive relating to the subject matter hereof. Any previous agreements or understandings between the parties hereto or between Executive and NBTB or any of its affiliates regarding the subject matter hereof, including without limitation the terms and conditions of employment, compensation, benefits, retirement, competition following employment, and the

like, are merged into and superseded by this Agreement. Neither this Agreement nor any provisions hereof can be modified, changed, discharged, or terminated except by an instrument in writing signed by the party against whom any waiver, change, discharge, or termination is sought.

11. Illegality; Severability.

(a) Anything in this Agreement to the contrary notwithstanding, this Agreement is not intended and shall not be construed to require any payment to Executive which would violate any federal or state statute or regulation, including without limitation the "golden parachute payment regulations" of the Federal Deposit Insurance Corporation codified to Part 359 of title 12, Code of Federal Regulations.

(b) If any provision or provisions of this Agreement shall be held to be invalid, illegal, or unenforceable for any reason whatsoever:

(i) the validity, legality, and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal, or unenforceable) shall not in any way be affected or impaired thereby; and

(ii) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provisions held to be invalid, illegal, or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal, or unenforceable.

12. Arbitration. Subject to the right of each party to seek specific performance (which right shall not be subject to arbitration), if a dispute arises out of or related to this Agreement, or the breach thereof, such dispute shall be referred to arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA"). A dispute subject to the provisions of this section will exist if either party notifies the other party in writing that a dispute subject to arbitration exists and states, with reasonable specificity, the issue subject to arbitration (the "Arbitration Notice"). The parties agree that, after the issuance of the Arbitration Notice, the parties will try in good faith to resolve the dispute by mediation in accordance with the Commercial Rules of Arbitration of AAA between the date of the issuance of the Arbitration Notice and the date the dispute is set for arbitration. If the dispute is not settled by the date set for arbitration, then any controversy or claim arising out of this Agreement or the breach hereof shall be resolved by binding arbitration and judgment upon any award rendered by arbitrator(s) may be entered in a court having jurisdiction. Any person serving as a mediator or arbitrator must have at least ten years' experience in resolving commercial disputes through arbitration. In the event any claim or dispute involves an amount in excess of $100,000, either party may request that the matter be heard by a panel of three arbitrators; otherwise all matters subject to arbitration shall be heard and resolved by a single arbitrator. The arbitrator shall have the same power to compel the attendance of witnesses and to order the production of documents or other materials and to enforce discovery as could be exercised by a United States District Court judge sitting in the Northern District of New York. In the event of any arbitration, each party shall have a reasonable right to conduct discovery to the same extent permitted by the Federal Rules of Civil Procedure, provided that such discovery shall be concluded within ninety days after the date the matter is set for

arbitration. In the event of any arbitration, the arbitrator or arbitrators shall have the power to award reasonable attorney's fees to the prevailing party. Any provision in this Agreement to the contrary notwithstanding, this section shall be governed by the Federal Arbitration Act and the parties have entered into this Agreement pursuant to such Act.

13. Costs of Litigation. In the event litigation is commenced to enforce any of the provisions hereof, or to obtain declaratory relief in connection with any of the provisions hereof, the prevailing party shall be entitled to recover reasonable attorney's fees. In the event this Agreement is asserted in any litigation as a defense to any liability, claim, demand, action, cause of action, or right asserted in such litigation, the party prevailing on the issue of that defense shall be entitled to recovery of reasonable attorney's fees.

14. Affiliation. A company will be deemed to be "affiliated" with NBTB according to the definition of "Affiliate" set forth in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended.

15. Headings. The section and subsection headings herein have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof.

IN WITNESS WHEREOF, the parties hereto executed or caused this Agreement to be executed as of the day and year first above written.

NBT BANCORP INC.

By: /S/ Andrew Kowalczyk Jr.
Andrew Kowalczyk, Jr.
Chairman of the Compensation and Benefits Committee of NBT Bancorp Inc.

DARYL R. FORSYTHE

/S/ Daryl R. Forsythe

EXHIBIT 10.2

Form of Employment Agreement between NBT Bancorp Inc. and Martin A. Dietrich made as of January 1, 2000 and revised on January 1, 2002 and again on August 2, 2003.

EMPLOYMENT AGREEMENT (REVISED)

This EMPLOYMENT AGREEMENT (the "Agreement") made and entered into this first day of January, 2000 and revised on January 1, 2002 and again on August 2, 2003, by and between MARTIN A. DIETRICH ("Executive") and NBT BANCORP INC., a Delaware corporation having its principal office in Norwich, New York ("NBTB")

W I T N E S S E T H T H A T :

WHEREAS, Executive agrees to serve as president and chief operating officer of NBT Bank, National Association, a wholly-owned subsidiary of NBTB ("NBT Bank") until December 31, 2003, as president and chief executive officer of NBT Bank and as president of NBTB from January 1, 2004 to December 31, 2005 and then as president and chief executive officer of NBTB as of January 1, 2006. Further, Executive will continue to serve as a director of NBT Bank and in addition, as of January 1, 2005, will be appointed a director of NBTB and stand for election at the 2005 Annual Meeting of NBTB; and

WHEREAS, NBTB desires to secure the continued employment of Executive, subject to the provisions of this Agreement; and

WHEREAS, Executive is desirous of entering into the Agreement for such periods and upon the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements hereinafter set forth, intending to be legally bound, the parties agree as follows:

1. Employment; Responsibilities and Duties.

(a) NBTB hereby agrees to employ Executive, and Executive hereby agrees to serve in the capacities delineated above during the Term of Employment. Executive shall have such executive duties, responsibilities, and authority as shall be set forth in the bylaws of NBT Bank or as may otherwise be determined by NBTB or by NBT Bank. During the Term of Employment, Executive shall report directly to the chairman of the board of NBTB.

(b) NBTB hereby agrees to cause Executive to be reelected to the board of directors of NBT Bank for successive terms throughout the Term of Employment and further agrees to appoint and subsequently nominate Executive to the board of directors of NBTB as of January 1, 2005.

(c) Executive shall devote his full working time and best efforts to the performance of his responsibilities and duties hereunder. During the Term of Employment, Executive shall not, without the prior written consent of the chairman of the board of NBTB, render services as an employee, independent contractor, or otherwise, whether or not compensated, to any person or entity other than NBTB or its affiliates; provided that Executive may, where involvement in such activities does not individually or in the aggregate significantly interfere with the performance by Executive of his duties or violate the provisions of section 4 hereof, (i) render services to charitable organizations, (ii) manage his personal investments, and (iii) with the prior permission of the chairman of the board of NBTB, hold such other directorships or part-time academic appointments or have such other business affiliations as would otherwise be prohibited under this section 1.

2. Term of Employment.

(a) The term of this Agreement ("Term of Employment") shall be the period commencing on the date of this Agreement (the "Commencement Date") and continuing until the Termination Date, which shall mean the earliest to occur of:

(i) the fifth anniversary of the Commencement Date;

(ii) the death of Executive;

(iii) Executive's inability to perform his duties hereunder, as a result of physical or mental disability as reasonably determined by the personal physician of Executive, for a period of at least 180 consecutive days or for at least 180 days during any period of twelve consecutive months during the Term of Employment; or

(iv) the discharge of Executive by NBTB "for cause," which shall mean one or more of the following:

(A) any willful or gross misconduct by Executive with respect to the business and affairs of NBTB or NBT Bank, or with respect to any of its affiliates for which Executive is assigned material responsibilities or duties;

(B) the conviction of Executive of a felony (after the earlier of the expiration of any applicable appeal period without perfection of an appeal by Executive or the denial of any appeal as to which no further appeal or review is available to Executive) whether or not committed in the course of his employment by NBTB;

(C) Executive's willful neglect, failure, or refusal to carry out his duties hereunder in a reasonable manner (other than any such failure resulting from disability or death or from termination by Executive for Good Reason, as hereinafter defined) after a written demand for substantial performance is delivered to Executive that specifically identifies the manner in which NBTB believes that Executive has not substantially performed his duties and Executive has not resumed substantial performance of his duties on a continuous basis within thirty days of receiving such demand; or

(D) the breach by Executive of any representation or warranty in section 6(a) hereof or of any agreement contained in section 1, 4, 5, or 6(b) hereof, which breach is material and adverse to NBTB or any of its affiliates for which Executive is assigned material responsibilities or duties; or

(v) Executive's resignation from his position as president and chief operating officer of NBT Bank other than for "Good Reason," as hereinafter defined; or

(vi) the termination of Executive's employment by NBTB "without cause," which shall be for any reason other than those set forth in subsections (i), (ii), (iii), (iv), or (v) of this section 2(a), at any time, upon the thirtieth day following notice to Executive; or

(vii) Executive's resignation for "Good Reason."

"Good Reason" shall mean, without Executive's express written consent, reassignment of Executive to a position other than as president and chief operating officer of NBT Bank other than for "Cause," or a decrease in the amount or level of Executive's salary or benefits from the amount or level established in section 3 hereof.

(b) In the event that the Term of Employment shall be terminated for any reason other than that set forth in section 2(a)(vi) or 2(a)(vii) hereof, Executive shall be entitled to receive, upon the occurrence of any such event:

(i) any salary (as hereinafter defined) payable pursuant to section 3(a)(i) hereof which shall have accrued as of the Termination Date; and

(ii) such rights as Executive shall have accrued as of the Termination Date under the terms of any plans or arrangements in which he participates pursuant to section 3(b) hereof, any right to reimbursement for expenses accrued as of the Termination Date payable pursuant to section 3(h) hereof, and the right to receive the cash equivalent of paid annual leave and sick leave accrued as of the Termination Date pursuant to section 3(d) hereof.

(c) In the event that the Term of Employment shall be terminated for the reason set forth in section 2(a)(vi) or 2(a)(vii) hereof, Executive shall be entitled to receive:

(i) any salary payable pursuant to section 3(a)(i) hereof which shall have accrued as of the Termination Date, and, for the period commencing on the date immediately following the Termination Date and ending upon and including the third anniversary of the Commencement Date, salary payable at the rate established pursuant to section 3(a)(i) hereof, in a manner consistent with the normal payroll practices of NBTB with respect to executive personnel as presently in effect or as they may be modified by NBTB from time to time; and

(ii) such rights as Executive may have accrued as of the Termination Date under the terms of any plans or arrangements in which he participates pursuant to section 3(b) hereof, any right to reimbursement for expenses accrued as of the Termination Date payable pursuant to section 3(h) hereof, and the right to receive the cash equivalent of paid annual leave and sick leave accrued as of the Termination Date pursuant to section 3(d) hereof.

(iii) if, within eighteen (18) months following the Termination Date, Executive should sell his principal residence in the Norwich Rand McNally Metropolitan Area as determined by Rand McNally & Company (the "Norwich RMA") and relocate to a place outside of the Norwich RMA, (A) reimbursement for any shortfall between the net proceeds on the sale of his principal residence and the purchase price, including direct, necessary and reasonable transaction costs incurred in connection with such purchase, as determined by the chief financial officer of NBTB, for such residence, and including direct, necessary and reasonable expenses, as determined by the chief financial officer of NBTB, incurred to prepare the residence for sale, (B) reimbursement for direct, necessary and reasonable expenses, as determined by the chief financial officer of NBTB, incurred in connection with the sale of such residence not already included as part of the reimbursement under (A) above, and (C) an amount necessary to pay all federal, state and local income taxes resulting from any reimbursement made pursuant to (A) and (B) (including any additional federal, state and local income taxes resulting from the payment hereunder of such taxes), the intent being that Executive shall be paid an additional amount (the "Gross-Up") such that the net amount retained by the Executive, after deduction of such federal, state and local income taxes resulting from the reimbursement under (A) and (B) shall be equal to the amount of the reimbursement under (A) and (B) before payment of such taxes; for purposes of determining the amount of the Gross-Up, Executive shall be deemed to pay federal, state and local income taxes at the highest marginal rate of taxation in effect in the calendar year in which the reimbursement is made. Amounts due under this subsection shall be paid as soon as administratively practicable, but in no event later than ninety (90) days after the date of the sale of Executive's principal residence.

Notwithstanding the foregoing, in the event the Executive is reimbursed, entitled to reimbursement, or is paid any amounts by an entity or entities other than NBTB or NBT Bank of any affiliate or successor thereof (the "Third Party"), for any amounts for which Executive has received, or is entitled to receive, reimbursement under (A) or (B) above with respect to the sale of his principal residence or any Gross-Up under (C) above, the Executive agrees:

(1) with regard to amounts already paid by NBTB or NBT Bank or any affiliate or successor thereof (hereinafter referred to collectively as the "Company"), the Executive shall notify the Company of all amounts received or due from the Third Party, and shall reimburse the Company in an amount equal to the amount so received or due from the Third Party up to the amount the Company paid to the Executive under (A), (B), and (C) above; and
(2) with regard to amounts due but not yet paid by the Company to the Executive, the Executive shall notify the Company of any amounts received or due from the Third Party, and the Executive agrees that the Company shall reduce the amount due under (A), (B), and (C) above by the amount the Executive has been paid or is entitled to be paid by the Third Party up to the amount due the Executive from the Company.

(d) Any provision of this section 2 to the contrary notwithstanding, in the event that the employment of Executive with NBTB is terminated in any situation described in section 3 of the change-in-control letter agreement dated July 23, 2001 between NBTB and Executive (the "Change-in-Control Agreement") so as to entitle Executive to a severance payment and other benefits described in section 3 of the Change-in-Control Agreement, then Executive shall be entitled to receive the following, and no more, under this section 2:

(i) any salary payable pursuant to section 3(a)(i) hereof which shall have accrued as of the Termination Date;

(ii) such rights as Executive shall have accrued as of the Termination Date under the terms of any plans or arrangements in which he participates pursuant to section 3(b) hereof, any right to reimbursement for expenses accrued as of the Termination Date payable pursuant to section 3(g) hereof, and the right to receive the cash equivalent of paid annual leave and sick leave accrued as of the Termination Date pursuant to section 3(d) hereof;

(iii) the severance payment and other benefits provided in the Change- in-Control Agreement; and

(iv) if, within eighteen (18) months following the Termination Date, Executive should sell his principal residence in the Norwich RMA and relocate to a place outside of the Norwich RMA, (A) reimbursement for any shortfall between the net proceeds on the sale of his principal residence and the purchase price, including direct, necessary and reasonable transaction costs incurred in connection with such purchase, as determined by the chief financial officer of NBTB, for such residence, and including direct, necessary and reasonable expenses, as determined by the chief financial officer of NBTB, incurred to prepare the residence for sale, (B) reimbursement for direct, necessary and reasonable expenses, as determined by the chief financial officer of NBTB, incurred in connection with the sale of such residence not already included as part of the reimbursement under (A) above, and (C) the Gross-Up, the intent being that the net amount retained by the Executive, after deduction of such federal, state and local income taxes resulting from the reimbursement under (A) and (B) shall be equal to the amount of the reimbursement under (A) and (B) before payment of such taxes; for purposes of determining the amount of the Gross-Up, Executive shall be deemed to pay federal, state and local income taxes at the highest marginal rate of taxation in effect in the calendar year in which the reimbursement is made. Amounts due under this subsection shall be paid as soon as administratively practicable, but in no event later than ninety (90) days after the date of the sale of Executive's principal residence.

Notwithstanding the foregoing, in the event the Executive is reimbursed, entitled to reimbursement, or is paid any amounts by a Third Party, for any amounts for which Executive has received, or is entitled to receive, reimbursement under (A) or (B) above with respect to the sale of his principal residence or any Gross-Up under (C) above, the Executive agrees:

(1) with regard to amounts already paid by the Company, the Executive shall notify the Company of all amounts received or due from the Third Party, and shall reimburse the Company in an amount equal to the amount so received or due from the Third Party up to the amount the Company paid to the Executive under (A), (B), and (C) above; and

(2) with regard to amounts due but not yet paid by the Company to the Executive, the Executive shall notify the Company of any amounts received or due from the Third Party, and the Executive agrees that the Company shall reduce the amount due under (A), (B), and (C) above by the amount the Executive has been paid or is entitled to be paid by the Third Party up to the amount due the Executive from the Company.

3. <u>Compensation</u>. For the services to be performed by Executive for NBTB and its affiliates under this Agreement, Executive shall be compensated in the following manner:

(a) <u>Salary</u>. During the Term of Employment:

(i) NBTB shall pay Executive a salary, which, on an annual basis, shall not be less than $281,0000 during 2003, $310,000 during 2004 and $350,000 during 2005. Salary commencing on January 1, 2006 will be negotiated between Executive and the chairman of the board of NBTB based on recommendations from the NBTB Compensation and Benefits Committee but in no case less than $350,000. Salary shall be payable in accordance with the normal payroll practices of NBTB with respect to executive personnel as presently in effect or as they may be modified by NBTB from time to time.

(ii) Executive shall be eligible to be considered for performance bonuses commensurate with the Executive's title and salary grade, in accordance with the compensation policies of NBTB with respect to executive personnel as presently in effect or as they may be modified by NBTB from time to time.

(b) Employee Benefit Plans or Arrangements. During the Term of Employment, Executive shall be entitled to participate in all employee benefit plans of NBTB, as presently in effect or as they may be modified by NBTB from time to time, under such terms as may be applicable to officers of Executive's rank employed by NBTB or its affiliates, including, without limitation, plans providing retirement benefits, stock options, medical insurance, life insurance, disability insurance, and accidental death or dismemberment insurance, provided that there be no duplication of such benefits as are provided under any other provision of this Agreement.

(c) Stock Options and NBT Performance Share Plan. Each January or February annually during the Term of Employment, NBTB will cause Executive to be granted a non-statutory ("non-qualified") stock option (each an "Option") to purchase the number of shares of the common stock of NBTB, $0.01 par value (the "NBTB Common Stock"), pursuant to the NBT Bancorp Inc. 1993 Stock Option Plan, as amended, or any appropriate successor plan (the "Stock Option Plan"), computed using a formula approved by NBTB that is commensurate with the Executive's title and salary grade. The option exercise price per share of the shares subject to each Option shall be such Fair Market Value, and the terms, conditions of exercise, and vesting schedule of such Option shall be as set forth in section 8 of the Stock Option Plan. In addition, Executive shall be entitled to participate in any NBTB Performance Share Plan (the "Performance Share Plan") as applicable to officers of Executive's rank.

(d) Vacation and Sick Leave. During the Term of Employment, Executive shall be entitled to paid annual vacation periods and sick leave in accordance with the policies of NBTB as in effect as of the Commencement Date or as may be modified by NBTB from time to time as may be applicable to officers of Executive's rank employed by NBTB or its affiliates, but in no event less than four weeks of paid vacation per year.

(e) Automobile. During the Term of Employment, Executive shall be entitled to the use of an automobile owned by NBTB or an affiliate of NBTB, the make and model of which automobile shall be appropriate to an officer of Executive's rank, and which shall be replaced with a new automobile every two years (or earlier if accumulated mileage exceeds 50,000 miles). Executive shall be responsible for all expenses of ownership and use of any such automobile, subject to reimbursement of expenses for business use in accordance with section 3(h).

(f) <u>Country Club Dues</u>. During the Term of Employment, Executive shall be reimbursed for dues and assessments incurred in relation to Executive's membership at a country club mutually agreed upon by NBTB and the Executive.

(g) <u>Withholding</u>. All compensation to be paid to Executive hereunder shall be subject to required withholding and other taxes.

(h) <u>Expenses</u>. During the Term of Employment, Executive shall be reimbursed for reasonable travel and other expenses incurred or paid by Executive in connection with the performance of his services under this Agreement, upon presentation of expense statements or vouchers or such other supporting information as may from time to time be requested, in accordance with such policies of NBTB as are in effect as of the Commencement Date and as may be modified by NBTB from time to time, under such terms as may be applicable to officers of Executive's rank employed by NBTB or its affiliates.

4. <u>Confidential Business Information; Non-Competition</u>.

(a) Executive acknowledges that certain business methods, creative techniques, and technical data of NBTB and its affiliates and the like are deemed by NBTB to be and are in fact confidential business information of NBTB or its affiliates or are entrusted to third parties. Such confidential information includes but is not limited to procedures, methods, sales relationships developed while in the service of NBTB or its affiliates, knowledge of customers and their requirements, marketing plans, marketing information, studies, forecasts, and surveys, competitive analyses, mailing and marketing lists, new business proposals, lists of vendors, consultants, and other persons who render service or provide material to NBTB or NBT Bank or their affiliates, and compositions, ideas, plans, and methods belonging to or related to the affairs of NBTB or NBT Bank or their affiliates. In this regard, NBTB asserts proprietary rights in all of its business information and that of its affiliates except for such information as is clearly in the public domain. Notwithstanding the foregoing, information that would be generally known or available to persons skilled in Executive's fields shall be considered to be "clearly in the public domain" for the purposes of the preceding sentence. Executive agrees that he will not disclose or divulge to any third party, except as may be required by his duties hereunder, by law, regulation, or order of a court or government authority, or as directed by NBTB, nor shall he use to the detriment of NBTB or its affiliates or use in any business or on behalf of any business competitive with or substantially similar to any business of NBTB or NBT Bank or their affiliates, any confidential business information obtained during the course of his employment by NBTB. The foregoing shall not be construed as restricting Executive from disclosing such information to the employees of NBTB or NBT Bank or their affiliates. On or before the Termination Date, Executive shall promptly deliver to NBTB any and all tangible, confidential information in his position.

(b) Executive hereby agrees that from the Commencement Date until the first anniversary of the Termination Date, Executive will not (i) interfere with the relationship of NBTB or NBT Bank or its affiliates with any of their employees, suppliers, agents, or representatives (including, without limitation, causing or helping another business to hire any employee of NBTB or NBT Bank or its affiliates), or (ii) directly or indirectly divert or attempt to divert from NBTB or NBT Bank or its affiliates any business in which any of them has been actively engaged during the Term of Employment, nor interfere with the relationship of NBTB or NBT Bank or its affiliates with any of their customers or prospective customers. This paragraph 4(b) shall not, in and of itself, prohibit Executive from engaging in the banking, trust, or financial services business in any capacity, including that of an owner or employee.

(c) Executive acknowledges and agrees that irreparable injury will result to NBTB in the event of a breach of any of the provisions of this section 4 (the "Designated Provisions") and that NBTB will have no adequate remedy at law with respect thereto. Accordingly, in the event of a material breach of any Designated Provision, and in addition to any other legal or equitable remedy NBTB may have, NBTB shall be entitled to the entry of a preliminary and permanent injunction (including, without limitation, specific performance) by a court of competent jurisdiction in Chenango County, New York, or elsewhere, to restrain the violation or breach thereof by Executive, and Executive submits to the jurisdiction of such court in any such action.

(d) It is the desire and intent of the parties that the provisions of this section 4 shall be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular provision of this section 4 shall be adjudicated to be invalid or unenforceable, such provision shall be deemed amended to delete therefrom the portion thus adjudicated to be invalid or unenforceable, such deletion to apply only with respect to the operation of such provision in the particular jurisdiction in which such adjudication is made. In addition, should any court determine that the provisions of this section 4 shall be unenforceable with respect to scope, duration, or geographic area, such court shall be empowered to substitute, to the extent enforceable, provisions similar hereto or other provisions so as to provide to NBTB, to the fullest extent permitted by applicable law, the benefits intended by this section 4.

5. Life Insurance. In light of the unusual abilities and experience of Executive, NBTB in its discretion may apply for and procure as owner and for its own benefit insurance on the life of Executive, in such amount and in such form as NBTB may choose. NBTB shall make all payments for such insurance and shall receive all benefits from it. Executive shall have no interest whatsoever in any such policy or policies but, at the request of NBTB, shall submit to medical examinations and supply such information and execute such documents as may reasonably be required by the insurance company or companies to which NBTB has applied for insurance.

6. Representations and Warranties.

(a) Executive represents and warrants to NBTB that his execution, delivery, and performance of this Agreement will not result in or constitute a breach of or conflict with any term, covenant, condition, or provision of any commitment, contract, or other agreement or instrument, including, without limitation, any other employment agreement, to which Executive is or has been a party.

(b) Executive shall indemnify, defend, and hold harmless NBTB for, from, and against any and all losses, claims, suits, damages, expenses, or liabilities, including court costs and counsel fees, which NBTB has incurred or to which NBTB may become subject, insofar as such losses, claims, suits, damages, expenses, liabilities, costs, or fees arise out of or are based upon any failure of any representation or warranty of Executive in section 6(a) hereof to be true and correct when made.

7. Notices. All notices, consents, waivers, or other communications which are required or permitted hereunder shall be in writing and deemed to have been duly given if delivered personally or by messenger, transmitted by telex or telegram, by express courier, or sent by registered or certified mail, return receipt requested, postage prepaid. All communications shall be addressed to the appropriate address of each party as follows:

If to NBTB:

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

Attention: Mr. Daryl R. Forsythe
Chairman, President and Chief Executive Officer

With a required copy to:

NBT Bancorp Inc. Corporate Counsel

If to Executive:

Mr. Martin A. Dietrich
155 Serenity Drive
Norwich, New York 13815

All such notices shall be deemed to have been given on the date delivered, transmitted, or mailed in the manner provided above.

8. Assignment. Neither party may assign this Agreement or any rights or obligations hereunder without the consent of the other party.

9. Governing Law. This Agreement shall be governed by, construed, and enforced in accordance with the laws of the State of New York, without giving effect to the principles of conflict of law thereof. The parties hereby designate Chenango County, New York to be the proper jurisdiction and venue for any suit or action arising out of this Agreement. Each of the parties consents to personal jurisdiction in such venue for such a proceeding and agrees that it may be served with process in any action with respect to this Agreement or the transactions contemplated thereby by certified or registered mail, return receipt requested, or to its registered agent for service of process in the State of New York. Each of the parties irrevocably and unconditionally waives and agrees, to the fullest extent permitted by law, not to plead any objection that it may now or hereafter have to the laying of venue or the convenience of the forum of any action or claim with respect to this Agreement or the transactions contemplated thereby brought in the courts aforesaid.

10. Entire Agreement. This Agreement constitutes the entire understanding among NBTB and Executive relating to the subject matter hereof. Any previous agreements or understandings between the parties hereto or between Executive and NBT Bank or any of its affiliates regarding the subject matter hereof, including without limitation the terms and conditions of employment, compensation, benefits, retirement, competition following employment, and the like, are merged into and superseded by this Agreement. Neither this Agreement nor any provisions hereof can be modified, changed, discharged, or terminated except by an instrument in writing signed by the party against whom any waiver, change, discharge, or termination is sought.

11. Illegality; Severability.

(a) Anything in this Agreement to the contrary notwithstanding, this Agreement is not intended and shall not be construed to require any payment to Executive which would violate any federal or state statute or regulation, including without limitation the "golden parachute payment regulations" of the Federal Deposit Insurance Corporation codified to Part 359 of title 12, Code of Federal Regulations.

(b) If any provision or provisions of this Agreement shall be held to be invalid, illegal, or unenforceable for any reason whatsoever:

(i) the validity, legality, and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal, or unenforceable) shall not in any way be affected or impaired thereby; and

(ii) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provisions held to be invalid, illegal, or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal, or unenforceable.

12. Arbitration. Subject to the right of each party to seek specific performance (which right shall not be subject to arbitration), if a dispute arises out of or related to this Agreement, or the breach thereof, such dispute shall be referred to arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA"). A dispute subject to the provisions of this section will exist if either party notifies the other party in writing that a dispute subject to arbitration exists and states, with reasonable specificity, the issue subject to arbitration (the "Arbitration Notice"). The parties agree that, after the issuance of the Arbitration Notice, the parties will try in good faith to resolve the dispute by mediation in accordance with the Commercial Rules of Arbitration of AAA between the date of the issuance of the Arbitration Notice and the date the dispute is set for arbitration. If the dispute is not settled by the date set for arbitration, then any controversy or claim arising out of this Agreement or the breach hereof shall be resolved by binding arbitration and judgment upon any award rendered by arbitrator(s) may be entered in a court having jurisdiction. Any person serving as a mediator or arbitrator must have at least ten years' experience in resolving commercial disputes through arbitration. In the event any claim or dispute involves an amount in excess of $100,000, either party may request that the matter be heard by a panel of three arbitrators; otherwise all matters subject to arbitration shall be heard and resolved by a single arbitrator. The

arbitrator shall have the same power to compel the attendance of witnesses and to order the production of documents or other materials and to enforce discovery as could be exercised by a United States District Court judge sitting in the Northern District of New York. In the event of any arbitration, each party shall have a reasonable right to conduct discovery to the same extent permitted by the Federal Rules of Civil Procedure, provided that such discovery shall be concluded within ninety days after the date the matter is set for arbitration. In the event of any arbitration, the arbitrator or arbitrators shall have the power to award reasonable attorney's fees to the prevailing party. Any provision in this Agreement to the contrary notwithstanding, this section shall be governed by the Federal Arbitration Act and the parties have entered into this Agreement pursuant to such Act.

13. Costs of Litigation. In the event litigation is commenced to enforce any of the provisions hereof, or to obtain declaratory relief in connection with any of the provisions hereof, the prevailing party shall be entitled to recover reasonable attorney's fees. In the event this Agreement is asserted in any litigation as a defense to any liability, claim, demand, action, cause of action, or right asserted in such litigation, the party prevailing on the issue of that defense shall be entitled to recovery of reasonable attorney's fees.

14. Affiliation. A company will be deemed to be "affiliated" with NBTB or NBT Bank according to the definition of "Affiliate" set forth in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended.

15. Headings. The section and subsection headings herein have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof.

IN WITNESS WHEREOF, the parties hereto executed or caused this Agreement to be executed as of the day and year first above written.

NBT BANCORP INC.

By: /S/ Daryl R. Forsythe

Daryl R. Forsythe
Chairman, President and Chief Executive Officer

MARTIN A. DIETRICH

/S/ Martin A. Dietrich

EXHIBIT 31.1

CERTIFICATIONS

I, Daryl R. Forsythe, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NBT Bancorp Inc.

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) for the registrant and we have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operations of internal controls which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 12, 2003

By: /s/ Daryl R. Forsythe

Chairman and Chief Executive
Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Michael J. Chewens, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NBT Bancorp Inc.

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) for the registrant and we have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operations of internal controls which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 12, 2003

By: /s/ Michael J. Chewens

Senior Executive Vice President,
Chief Financial Officer and
Corporate Secretary

EXHIBIT 32.1

Written Statement of the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The undersigned, the Chief Executive Officer of NBT Bancorp Inc. (the "Company"), hereby certifies that to his knowledge on the date hereof:

(a) the Form 10-Q of the Company for the Quarterly Period Ended September 30, 2003, filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Daryl R. Forsythe

Daryl R. Forsythe
Chairman and Chief Executive Officer
November 12, 2003

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to NBT Bancorp Inc. and will be retained by NBT Bancorp Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

Written Statement of the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

The undersigned, the Chief Financial Officer of NBT Bancorp Inc. (the "Company"), hereby certifies that to his knowledge on the date hereof:

(a) the Form 10-Q of the Company for the Quarterly Period Ended September 30, 2003, filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael J. Chewens

Michael J. Chewens
Senior Executive Vice President Chief Financial
Officer and Corporate Secretary
November 12, 2003

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to NBT Bancorp Inc. and will be retained by NBT Bancorp Inc. and furnished to the Securities and Exchange Commission or its staff upon request.