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 June 30, 2002.
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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As of July 31, 2002, there were 33,129,923 shares outstanding of the Registrant's common stock, $0.01 par value.

NBT BANCORP INC.
FORM 10-Q -- Quarter Ended June 30, 2002

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NBT BANCORP INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)	JUNE 30, 2002 (UNAUDITED)	December 31, 2001	June 30, 2001 (Unaudited)
ASSETS			
Cash and due from banks	$ 108,456	$ 123,201	$ 94,153
Short-term interest bearing accounts	5,950	6,756	6,975
Trading securities, at fair value	280	126	9,658
Securities available for sale, at fair value	988,538	909,341	965,969
Securities held to maturity (fair value - $89,880, $101,495 and $104,063)	88,882	101,604	104,477
Federal Reserve and Federal Home Loan Bank stock	23,372	21,784	23,333
Loans and leases	2,336,041	2,339,636	2,353,075
Less allowance for loan and lease losses	43,719	44,746	34,126
Net loans and leases	2,292,322	2,294,890	2,318,949
Premises and equipment, net	61,716	62,685	61,166
Goodwill	15,476	15,476	15,133
Intangible assets, net	31,977	35,212	36,155
Other assets	61,129	67,127	65,261
TOTAL ASSETS	$ 3,678,098	$ 3,638,202	$ 3,701,229
LIABILITIES, GUARANTEED PREFERRED BENEFICIAL INTERESTS IN COMPANY'S JUNIOR SUBORDINATED DEBENTURES AND STOCKHOLDERS' EQUITY			
Deposits:			
Demand (noninterest bearing)	$ 424,615	$ 431,407	$ 393,173
Savings, NOW, and money market	1,119,730	1,097,156	1,027,541
Time	1,323,300	1,387,049	1,501,387
Total deposits	2,867,645	2,915,612	2,922,101
Short-term borrowings	122,903	122,013	146,473
Long-term debt	350,729	272,331	276,865
Other liabilities	37,903	44,891	46,081
Total liabilities	3,379,180	3,354,847	3,391,520
Guaranteed preferred beneficial interests in Company's junior subordinated debentures	17,000	17,000	17,000
Stockholders' equity:			
Preferred stock, $0.01 par value; shares authorized-2,500,000; none issued	-	-	-
Common stock, $0.01 par value; shares authorized-50,000,000; shares issued 34,401,212, 34,252,661, and 34,218,062 at June 30, 2002, December 31, 2001, and June 30, 2001, respectively	344	343	342
Additional paid-in-capital	210,445	209,176	208,817
Retained earnings	82,769	72,531	95,514
Unvested restricted stock awards	(189)	-	-
Accumulated other comprehensive income	9,214	3,921	864
Treasury stock at cost 1,219,970, 1,147,848, and 716,793 shares at June 30, 2002, December 31, 2001 and June 30, 2001, respectively	(20,665)	(19,616)	(12,828)
Total stockholders' equity	281,918	266,355	292,709
TOTAL LIABILITIES, GUARANTEED PREFERRED BENEFICIAL INTERESTS IN COMPANY'S JUNIOR SUBORDINATED DEBENTURES AND STOCKHOLDERS' EQUITY	$ 3,678,098	$ 3,638,202	$ 3,701,229

See notes to unaudited interim consolidated financial statements.

NBT BANCORP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)	Three months ended June 30, 2002	Three months ended June 30, 2001	Six months ended June 30, 2002	Six months ended June 30, 2001
	(Unaudited)			
INTEREST, FEE AND DIVIDEND INCOME:				
Loans	$ 41,390	$ 46,941	$ 83,617	$ 95,093
Securities available for sale	14,613	15,130	28,180	30,754
Securities held to maturity	1,170	1,330	2,416	2,708
Trading securities	2	300	4	345
Other	315	500	595	1,201
Total interest, fee and dividend income	57,490	64,201	114,812	130,101
INTEREST EXPENSE:				
Deposits	16,265	25,950	33,256	54,155
Short-term borrowings	287	1,410	635	3,429
Long-term debt	3,856	3,336	7,494	6,633
Total interest expense	20,408	30,696	41,385	64,217
Net interest income	37,082	33,505	73,427	65,884
Provision for loan and lease losses	2,092	6,872	4,103	8,083
Net interest income after provision for loan losses	34,990	26,633	69,324	57,801
NONINTEREST INCOME:				
Trust	1,154	1,070	2,174	2,116
Service charges on deposit accounts	3,239	3,226	6,289	5,997
Broker/dealer and insurance fees	1,483	900	2,978	1,923
Net securities (losses) gains	69	227	(433)	1,250
Gain on sale of a building	-	-	-	1,367
Gain on sale of branch, net	-	-	220	-
Other	2,359	2,280	4,970	4,727
Total noninterest income	8,304	7,703	16,198	17,380
NONINTEREST EXPENSE:				
Salaries and employee benefits	12,649	11,569	25,305	23,302
Office supplies and postage	1,227	1,282	2,124	2,361
Occupancy	2,096	2,179	4,265	4,466
Equipment	1,818	1,700	3,532	3,433
Professional fees and outside services	1,782	1,480	3,397	2,600
Data processing and communications	2,598	2,348	5,163	5,004
Amortization of intangible assets	830	1,012	1,690	1,976
Capital securities	230	341	446	745
Deposit overdraft write-offs	-	-	-	2,125
Loan collection and other real estate owned	781	483	1,725	807
Other operating	3,175	2,760	5,869	4,985
Total noninterest expense	27,186	25,154	53,516	51,804
Income before income taxes	16,108	9,182	32,006	23,377
Income taxes	5,261	2,612	10,507	7,153
NET INCOME	$ 10,847	$ 6,570	$ 21,499	$ 16,224
Earnings per share:				
Basic	$ 0.33	$ 0.20	$ 0.65	$ 0.50
Diluted	$ 0.32	$ 0.20	$ 0.64	$ 0.49

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)
BALANCE AT DECEMBER 31, 2000	$ 332	$ 195,422	$ 88,921	-	$ (1,934)
Net income			16,224		
Cash dividends - $0.34 per share (1)			(9,631)		
Retirement of 63,034 shares of treasury stock of pooled company	(1)	(708)			
Purchase of 271,939 treasury shares					
Issuance of 164,885 shares to employee benefits plans and other stock plans, including tax benefit		(1,888)			
Issuance of 1,075,365 shares to purchase First National Bancorp, Inc.	11	15,991			
Other comprehensive income					2,798
BALANCE AT JUNE 30, 2001	$ 342	$ 208,817	$ 95,514	-	$ 864
BALANCE AT DECEMBER 31, 2001	$ 343	$ 209,176	$ 72,531	-	$ 3,921
Net income			21,499		
Cash dividends - $0.34 per share			(11,261)		
Purchase of 72,900 treasury shares					
Issuance of 162,421 shares to employee benefit plans and other stock plans, including tax benefit	1	1,296			
Grant of 14,648 shares of restricted stock awards		(27)		(222)	
Amortization of restricted stock awards				33	
Other comprehensive income					5,293
BALANCE AT JUNE 30, 2002	$ 344	$ 210,445	$ 82,769	$ (189)	$ 9,214

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

(in thousands, except share and per share data)	Treasury Stock	Total
BALANCE AT DECEMBER 31, 2000	$ (13,100)	$269,641
Net income		16,224
Cash dividends - $0.34 per share (1)		(9,631)
Retirement of 63,034 shares of treasury stock of pooled company	709	-
Purchase of 271,939 treasury shares	(3,949)	(3,949)
Issuance of 164,885 shares to employee benefits plans and other stock plans, including tax benefit	3,512	1,624
Issuance of 1,075,365 shares to purchase First National Bancorp, Inc.		16,002
Other comprehensive income		2,798
BALANCE AT JUNE 30, 2001	$ (12,828)	$292,709
BALANCE AT DECEMBER 31, 2001	$ (19,616)	$266,355
Net income		21,499
Cash dividends - $0.34 per share		(11,261)
Purchase of 72,900 treasury shares	(1,171)	(1,171)
Issuance of 162,421 shares to employee benefit plans and other stock plans, including tax benefit	(127)	1,170
Grant of 14,648 shares of restricted stock awards	249	--
Amortization of restricted stock awards		33
Other comprehensive income		5,293

BALANCE AT JUNE 30, 2002	$ (20,665)	$281,918

See notes to unaudited interim consolidated financial statements.

Note:

(1) For the period ended June 30, 2001, dividends per share data represents historical dividends per share of NBT Bancorp Inc. stand-alone and the cash dividends paid represents NBT Bancorp Inc. and CNB Financial Corp combined as all unaudited interim consolidated financial statements have been restated to give effect to the merger with CNB Financial Corp., which was accounted for as a pooling-of-interests and closed on November 8, 2001.

NBT BANCORP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Six Months Ended June 30, 2002	2001 (Unaudited)
OPERATING ACTIVITIES:		
Net income	$ 21,499	$ 16,224
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	4,103	8,083
Depreciation of premises and equipment	3,451	2,924
Net accretion on securities	(866)	(911)
Amortization of intangible assets	1,690	1,976
Amortization of restricted stock awards	33	-
Proceeds from sale of loans held for sale	3,965	11,282
Origination of loans held for sale	(3,114)	(12,899)
Net losses (gains) on sales of loans	50	(88)
Net (gain) loss on sale of other real estate owned	(50)	211
Net security losses (gains)	433	(1,250)
Proceeds from maturities of trading securities	-	775
Proceeds from sale of trading securities	-	20,709
Purchases of trading securities	(166)	(6,588)
Gain on sale of a building	-	(1,367)
Gain on sale of a branch, net	(220)	-
Net decrease (increase) in other assets	2,954	(2,611)
Net decrease in other liabilities	(6,245)	(4,734)
Net cash provided by operating activities	27,517	31,736
INVESTING ACTIVITIES:		
Net cash and cash equivalents provided by acquisitions	-	9,509
Net cash paid in conjunction with branch sale	(29,171)	-
Securities available for sale:		
Proceeds from maturities	141,582	144,194
Proceeds from sales	156,799	49,389
Purchases	(368,278)	(197,563)
Securities held to maturity:		
Proceeds from maturities	30,000	23,052
Purchases	(17,330)	(11,548)
(Purchases) proceeds of FRB and FHLB stock	(1,588)	8,802
Net increase in loans	(6,821)	(39,725)
Purchase of premises and equipment, net	(3,390)	(3,659)
Proceeds from sales of other real estate owned	811	1,566
Net cash used in investing activities	(97,386)	(15,983)
FINANCING ACTIVITIES:		
Net decrease in deposits	(13,708)	(30,747)
Net increase (decrease) in short-term borrowings	890	(38,701)
Proceeds from issuance of long-term debt	80,000	246,291
Repayments of long-term debt	(1,602)	(209,955)
Proceeds from issuance of treasury shares to employee benefit plans and other stock plans, including tax benefit	1,170	1,624
Purchase of treasury stock	(1,171)	(3,949)
Cash dividends	(11,261)	(9,631)
Net cash provided by (used) in financing activities	54,318	(45,068)
Net decrease in cash and cash equivalents	(15,551)	(29,315)
Cash and cash equivalents at beginning of period	129,957	130,443
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 114,406	$ 101,128

(Continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

	SIX MONTHS ENDED JUNE 30, 2002	SIX MONTHS ENDED JUNE 30, 2001
Cash paid during the period for:		
Interest	$ 44,898	$ 68,194
Income taxes	6,896	1,537
Loans transferred to OREO	$ 1,277	1,775
Transfer of securities available for sale to trading securities	-	3,804
BRANCH DIVESTITURE:		
Assets sold	$ 3,323	-
Liabilities sold	34,263	-
ACQUISITIONS:		
Fair value of assets acquired	-	109,549
Fair value of liabilities assumed	-	110,501
Common stock issued for acquisitions	-	16,002

See notes to unaudited interim consolidated financial statements.

NBT BANCORP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)	Three months ended June 30, 2002	Three months ended June 30, 2001	Six months ended June 30, 2002	Six months ended June 30, 2001
	(Unaudited)			
Net Income	$ 10,847	$ 6,570	$ 21,499	$ 16,224
Other comprehensive income (loss), net of tax				
Unrealized holding gains (losses) arising during period [pre-tax amounts of $16,103 $(2,794), $8,369 and $5,858]	9,662	(1,673)	5,037	3,423
Less: Reclassification adjustment for net (gains) losses included in net income [pre-tax amounts of $(70), $(1,327), $425 and $(1,040)]	(42)	(798)	256	(625)
Total other comprehensive income (loss)	9,620	(2,471)	5,293	2,798
Comprehensive income	$ 20,467	$ 4,099	$ 26,792	$ 19,022

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 wholly-owned 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, 2001 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 three and six months ended June 30, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002. 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, 2001 and notes thereto referred to above. The Company's unaudited interim consolidated financial statements as of and for the periods ended June 30, 2001 have been restated to give effect to the merger with CNB Financial Corp., which closed on November 8, 2001 and was accounted for as a pooling-of-interests.

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 losses, fair values of financial instruments and status of contingencies are particularly susceptible to material change in the near term.

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 June 30, 2002 and December 31, 2001, commitments to extend credit and unused lines of credit totaled $441.3 million and $704.7 million, respectively, and standby letters of credit totaled $21.6 million and $21.1 million, respectively at those same dates. Since commitments to extend credit and unused lines of credit may expire without being used, this amount does not necessarily represent future cash commitments. Collateral obtained upon exercise of the commitment is determined using managements credit evaluation of the borrower and may include accounts receivable, inventory, property, land and other items.

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 June 30,	2002	2001
(in thousands, except per share data)		
Basic EPS:		
Weighted average common shares outstanding	33,157	32,874
Net income available to common shareholders	$10,847	$ 6,570
Basic EPS	$ 0.33	$ 0.20
Diluted EPS:		
Weighted average common shares outstanding	33,157	32,874
Dilutive effect of common stock options and restricted stock	276	238
Weighted average common shares and common share equivalents	33,433	33,112
Net income available to common shareholders	$10,847	$ 6,570
Diluted EPS	$ 0.32	$ 0.20

Six months ended June 30,	2002	2001
(in thousands, except per share data)		
Basic EPS:		
Weighted average common shares outstanding	33,125	32,663
Net income available to common shareholders	$21,499	$16,224
Basic EPS	$ 0.65	$ 0.50
Diluted EPS:		
Weighted average common shares outstanding	33,125	32,663
Dilutive effect of common stock options and restricted stock	239	241
Weighted average common shares and common share equivalents	33,364	32,904
Net income available to common shareholders	$21,499	$16,224
Diluted EPS	$ 0.64	$ 0.49

There were 401,397 outstanding stock options for the quarter ended June 30, 2002 and 1,009,680 outstanding stock options for the quarter ended June 30, 2001 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 927,943 outstanding stock options for the six month period ended June 30, 2002 and 1,009,680 outstanding stock options for the six month period ended June 30, 2001 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. MERGERS AND ACQUISITIONS

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

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

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

service banking offices in nine upstate New York counties.

At June 30, 2002, after payments of certain merger, acquisition and reorganization costs, the Company had a remaining accrued liability for merger, acquisition and reorganization costs related to the merger with CNB of $3.0 million, which was comprised mainly of severance costs (expected to be paid out by the end of the year) and estimated costs related to branch closings (expected to be settled by the end of the year except for certain long-term lease commitments).

NOTE 6. NEW ACCOUNTING PRONOUNCEMENTS

The Company adopted the provisions of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," effective January 1, 2001. At that time, the Company had certain embedded derivative instruments from the recently acquired CNB Bank investment portfolio related to a deposit product and two debt securities that had costs and returns linked to the performance of the NASDAQ 100 index. Management determined that these debt securities and the deposit product did not qualify for hedge accounting under SFAS No. 133. The embedded derivatives were separated from the underlying host instruments for financial reporting purposes and accounted for at fair value. In connection with the adoption of SFAS No. 133 as of January 1, 2001, the Company recorded a charge to earnings for a transition adjustment of $159,000 ($95,000, after-tax) for the net impact of recording these embedded derivatives on the consolidated balance sheet at fair value. Due to the insignificance of the amount, the transition adjustment is not reflected as a cumulative effect of a change in accounting principle on the consolidated statement of income for the six months ended June 30, 2001 but is instead recorded in net securities (losses) gains. During the year ended December 31, 2001, and before the closing of the CNB merger, the Company recorded a $640,000 net loss related to the adjustment of the embedded derivatives to fair value. As of December 31, 2001, the embedded derivatives referred to above were completely written off as these derivatives had no value. During the first quarter of 2002, the two debt securities with embedded derivative instruments from the recently acquired CNB Bank investment portfolio were sold at approximately their carrying value, as the securities did not meet the risk profile of the Company's security portfolio.

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

On October 3, 2001, The FASB issued SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets". This Statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This Statement supersedes SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." This Statement

also supersedes the accounting and reporting provisions of APB Opinion No. 30 "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." The changes in this Statement improve financial reporting by requiring that one accounting model be used for long-lived assets to be disposed of by broadening the presentation of discontinued operations to include more disposal transactions. This Statement is effective for financial statements issued for fiscal years beginning after December 15, 2001. The Company adopted the provisions of SFAS No. 144 effective January 1, 2002 and the adoption did not have a material impact on its consolidated financial statements.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt," which required gains and losses from extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of related income tax effect. Upon adoption of SFAS No. 145, companies will be required to apply the criteria in Accounting Principles Board, or APB, Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" in determining the classification of gains and losses resulting from the extinguishment of debt. Upon adoption, companies must reclassify prior period items that do not meet the extraordinary item classification criteria in APB Opinion No. 30. Additionally, SFAS No. 145 amends SFAS No. 13, "Accounting for Leases," to require that certain lease modifications that have economic effects similar to sale-leaseback transactions be accounted for in the same manner as sale-leaseback transactions. The provisions of SFAS No. 145 related to the rescission of SFAS No. 4 are effective for fiscal years beginning after May 15, 2002. All other provisions of SFAS No. 145 are effective for transactions occurring and/or financial statements issued on or after May 15, 2002. The implementation of SFAS No. 145 provisions, which were effective May 15, 2002, did not have a material impact on our financial condition or results of operations. The implementation of the remaining provisions is not expected to have a material impact on our financial condition or results of operations.

In July 2001, the FASB issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 as well as all purchase method business combinations completed after June 30, 2001. SFAS No. 141 also specifies criteria intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill. SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142. SFAS No. 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 144.

The Company adopted the provisions of SFAS No. 141 effective July 1, 2001 and adopted the provisions of SFAS No. 142 effective January 1, 2002. SFAS No. 141 requires that upon adoption of SFAS No. 142, that the Company evaluate its existing intangible assets and goodwill that were acquired in a prior purchase business combination, and to make any necessary reclassifications in order to conform with the new criteria in SFAS No. 141 for recognition apart from

goodwill. Upon adoption of SFAS No. 142, the Company is required to reassess the useful lives and residual values of all intangible assets acquired in purchase business combinations, and make any necessary amortization period adjustments by the end of the first interim period after adoption. In addition, to the extent an intangible asset is identified as having an indefinite useful life, the Company is required to test the intangible asset for impairment in accordance with the provisions of Statement 142 within the first interim period. Goodwill is required to be tested for impairment as of the beginning of the fiscal year in which the Statement is adopted. An entity has six months from the date it adopted SFAS No. 142 to complete the first step of the transitional goodwill impairment test, which is determining whether or not goodwill is impaired. If it is determined that goodwill is impaired, the entity has until the end of the year of adoption to complete step two, which is to measure the impairment. Any impairment loss for either goodwill or intangible assets with indefinite useful lives is to be measured as of the date of adoption and recognized as the cumulative effect of a change in accounting principle in the first interim period.

During the first quarter of 2002, upon the implementation of SFAS No. 142, the Company performed a reevaluation of the remaining useful lives of all previously recognized intangible assets and found no adjustment necessary. The Company has completed its transitional goodwill impairment evaluation and has concluded there is no impairment losses from the adoption of SFAS No. 142. The Company has not identified any intangible assets with indefinite useful lives.

Approximately $1.5 million of unidentified intangible assets from branch acquisitions was written off and recorded as a component of the net gain on the sale of a branch during the three months ended March 31, 2002.

Pro forma net income and net income per share for the three and six months ended June 30, 2001, adjusted to eliminate historical amortization of goodwill and related tax effects, are as follows:

	Three months ended June 30, 2001 (in thousands, except per share data)
Reported net income	$6,570
Add: goodwill amortization	179
Pro forma net income	$6,749
Reported net income per share:	
Basic	$0.20
Diluted	$0.20
Pro forma net income per share:	
Basic	$0.20
Diluted	$0.20

	Six months ended June 30, 2001
	(in thousands, except per share data)
Reported net income	$16,224
Add: goodwill amortization	328
Pro forma net income	$16,552
Reported net income per share:	
Basic	$0.50
Diluted	$0.49
Pro forma net income per share:	
Basic	$0.50
Diluted	$0.50

The unidentified intangible assets acquired in the acquisition of a bank or thrift (including acquisitions of branches), where the fair value of the liabilities assumed exceeds the fair value of the assets acquired, is currently amortized to expense under SFAS No. 72, "Accounting for Certain Acquisitions of Banking or Thrift Institutions." The FASB has undertaken a project to determine whether unidentifiable intangible assets recorded under SFAS No. 72 should continue to be amortized or, instead, be accounted for using the non-amortization approach specified for goodwill under SFAS No. 142. In an exposure draft of a proposed statement issued in May 2002, the FASB made a preliminary decision that any unidentified intangible asset recognized as a result of applying SFAS No. 72 shall continue to be amortized unless both of the following criteria are met: (1) the transaction in which the unidentifiable intangible asset arose was a business combination as defined by SFAS No. 141, and (2) at the date the transaction was initially recorded, the depositor relationship intangible was recognized separate from goodwill and has been accounted for separate from goodwill since that time. Based on this preliminary guidance, $35.6 million of the $36.4 million in unidentified intangible assets from branch acquisitions recorded on the Company's books at June 30, 2002 will continued to be amoritized when a final statement is issued by the FASB. The FASB plans to issue a final Statement by the end of 2002.

The Company's intangible assets consist of the following:

	June 30, 2002	December 31, 2001	June 30, 2001
Core deposit intangibles	$5,433	5,433	5,314
Unidentified intangible assets from branch acquisitions	36,404	37,952	37,279
Accumulated amortization	(9,860)	(8,173)	(6,438)
Intangible assets, net	$31,977	35,212	36,155

Estimated annual amortization expense of intangible assets, absent any impairment or change in estimated useful lives is summarized as follows for each of the next five years:

(in thousands)	
For the years ending December 31,	
2002 (remaining six months)	$1,587
2003	3,095
2004	2,752
2005	2,752
2006	2,752
2007	2,752

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 wholly owned 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 2001 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, or in oral statements made with the approval of an authorized executive officer, contain forward-looking statements, as defined in the Private Securities Litigation Reform Act. These statements may be identified by the use of phrases such as "anticipate," "believe," "expect," "forecasts," "projects," or other similar terms. There are a number of factors, many of which are beyond the Company's control that could cause actual results to differ materially from those contemplated by the forward looking statements. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, among others, the following possibilities: (1) competitive pressures among depository and other financial institutions may increase significantly; (2) revenues may be lower than expected; (3) changes in the interest rate environment may reduce interest margins; (4) general economic conditions, either nationally or regionally, may be less favorable than expected, resulting in, among other things, a deterioration in credit quality and/or a reduced demand for credit; (5) legislative or regulatory changes, including changes in accounting standards, may adversely affect the businesses in which the Company is engaged; (6) costs or difficulties related to the integration of the businesses of the Company and its merger partners may be greater than expected; (7) expected cost savings associated with recent mergers and acquisitions may not be fully realized or realized within the expected time frames; (8) deposit attrition, customer loss, or revenue loss following recent mergers and acquisitions may be greater than

expected; (9) competitors may have greater financial resources and develop products that enable such competitors to compete more successfully than the Company; and (10) adverse changes may occur in the securities markets or with respect to inflation.

The Company 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.

OVERVIEW

The following table summarizes net income for the periods indicated in accordance with accounting principles generally accepted in the United States of America (GAAP) as well as on a core basis. Core net income, as used throughout this discussion, excludes items that the Company considers nonoperating in nature and include net securities losses and gains, gain on sale of a branch, gain on sale of a building, certain deposit overdraft write-offs, and loan valuation gains and losses:

THREE MONTHS ENDED JUNE 30, 2002 (IN 000'S EXCEPT PER SHARE DATA)

	Pre-Tax	Estimated Tax Effect	After Tax	Diluted EPS
GAAP net income	$ 16,108	$ 5,261	$ 10,847	$ 0.32
Net security gains	(69)	(27)	(42)	
Loan valuation losses	18	8	10	
	(51)	(19)	(32)	
Core net income	$ 16,057	$ 5,242	$ 10,815	

THREE MONTHS ENDED JUNE 30, 2001 (IN 000'S EXCEPT PER SHARE DATA)

	Pre-Tax	Estimated Tax Effect	After Tax	Diluted EPS
GAAP net income	$ 9,182	$ 2,612	$ 6,570	$ 0.20
Net security gains	(227)	(91)	(136)	
Loan valuation gains	(6)	(2)	(4)	
	(233)	(93)	(140)	
Core net income	$ 8,949	$ 2,519	$ 6,430	

SIX MONTHS ENDED JUNE 30, 2002 (IN 000'S EXCEPT PER SHARE DATA)

	Pre-Tax	Estimated Tax Effect	After Tax	Diluted EPS
GAAP net income	$ 32,006	$ 10,507	$ 21,499	$ 0.64
Net security losses	433	173	260	
Gain on sale of a branch, net	(220)	(88)	(132)	
Loan valuation losses	50	20	30	
	263	105	158	
Core net income	$ 32,269	$ 10,612	$ 21,657	

SIX MONTHS ENDED JUNE 30, 2001 (IN 000'S EXCEPT PER SHARE DATA)

	Pre-Tax	Estimated Tax Effect	After Tax	Diluted EPS
GAAP net income	$ 23,377	$ 7,153	$ 16,224	0.49
Gain on sale of a building	(1,367)	(545)	(822)	
Deposit overdraft write-offs	2,125	847	1,278	
Net security gains	(1,250)	(499)	(751)	
Loan valuation gains	(26)	(10)	(16)	
	(518)	(207)	(311)	
Core net income	$ 22,859	$ 6,946	$ 15,913	

Net securities gains and loan valuation gains and losses had no impact on diluted earnings per share for the three months ended June 30, 2002 and decreased diluted earnings per share by $0.01 for the same period in 2001. Net securities losses, gain on sale of a branch, net, and loan valuation losses increased diluted earnings per share by $0.01 for the six months ended June 30, 2002. Gain on sale of a building, deposit overdraft write-offs, net securities gains, and loan valuation losses decreased diluted earnings per share by $0.01 for the six months ended June 30, 2001.

The Company earned net income of $10.8 million ($0.32 diluted earnings per share) for the three months ended June 30, 2002 compared to net income of $6.6 million ($0.20 diluted earnings per share) for the same period in 2001. Core net income was $10.8 million for the three months ended June 30, 2002 compared to core net income of $6.4 million for the same period in 2001. The quarter to quarter increase in core net income from 2001 to 2002 was due primarily to a decrease in the provision for loan and lease losses of $4.8 million and increases in net interest income of $3.6 million and noninterest income of $0.8 million, offset by increases in noninterest expense of $2.0 million and income tax expense of $2.7 million.

The Company earned net income of $21.5 million ($0.64 diluted earnings per share) for the six months ended June 30, 2002 compared to net income of $16.2 million ($0.49 diluted earnings per share) for the same period in 2001. Core net income was $21.7 million for the six months ended June 30, 2002 compared to core net income of $15.9 million for the same period in 2001. The increase in core net income from 2001 to 2002 was due primarily to increases in net interest income of $7.5 million and noninterest income of $1.7 million and a decrease in the provision for loan and lease losses of $4.0 million, offset by increases in noninterest expense of $3.8 million and income tax expense of $3.7 million.

The decrease in the provision for loan and lease losses resulted primarily from an improvement in loan quality ratios and lower net charge-offs in 2002 compared to 2001. The increase in net interest income resulted primarily from the continued downward re-pricing of interest-bearing liabilities (primarily time deposits) at a faster rate than earning assets. The Company's net interest margin for the three months ended June 30, 2002 was 4.48%, up 38 basis points from a net interest margin of 4.10% for the same period in 2001. The increase in core noninterest income was due primarily to an increase in broker/dealer and insurance fees. The increase in core noninterest expense resulted primarily from increases in salaries and employee benefits, expenses associated with loan collection and other real estate owned, professional fees and other operating expenses. The increase in income tax expense was due primarily to a $9.4 million increase in net income before taxes for the six months ended June 30, 2002.

Table 1 depicts several annualized measurements of performance using both GAAP net income and core net income. Returns on average assets and equity measure how effectively an entity utilizes its total resources and capital, respectively. Both the return on average assets and the return on average equity ratios increased for the quarter and year-to-date compared to the same periods in the previous year.

Net interest margin, net federal taxable equivalent (FTE) interest income divided by average interest-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	SIX MONTHS
2002			
Return on average assets (ROAA)	1.21%	1.19%	1.20%
ROAA based on core net income	1.23%	1.19%	1.21%
Return on average equity (ROAE)	15.98%	15.89%	15.91%
ROAE based on core net income	16.26%	15.84%	16.03%
2001			
Net interest margin	4.54%	4.48%	4.51%
ROAA	1.10%	0.73%	0.91%
ROAA based on core net income	1.08%	0.71%	0.90%
ROAE	14.42%	9.42%	11.87%
ROAE based on core net income	14.16%	9.22%	11.64%
Net interest margin	4.06%	4.10%	4.08%

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 June 30,					
	2002			2001		
(dollars in thousands)	AVERAGE BALANCE	INTEREST	YIELD/ RATES	Average Balance	Interest	Yield/ Rates
ASSETS						
Short-term interest bearing accounts	$ 11,806	$ 89	3.02%	$ 10,136	$ 126	4.99%
Trading securities	205	2	3.91	9,315	300	12.92
Securities available for sale (2)	964,555	15,142	6.30	933,886	15,521	6.67
Securities held to maturity (2)	98,040	1,531	6.26	100,401	1,683	6.72
Investment in FRB and FHLB Banks	20,965	226	4.32	22,767	374	6.59
Loans and leases (1)	2,317,838	41,575	7.19	2,293,641	47,169	8.25
Total interest earning assets	3,413,409	58,565	6.88	3,370,146	65,173	7.76
Other assets	230,110			239,258		
TOTAL ASSETS	$3,643,519			$3,609,404		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Money market deposit accounts	$ 271,762	1,086	1.60	$ 259,970	1,950	3.01
NOW deposit accounts	386,248	914	0.95	337,468	1,083	1.29
Savings deposits	479,811	1,809	1.51	417,206	2,397	2.30
Time deposits	1,357,057	12,456	3.68	1,501,767	20,520	5.48
Total interest bearing deposits	2,494,878	16,265	2.61	2,516,411	25,950	4.14
Short-term borrowings	75,672	287	1.52	130,239	1,410	4.34
Long-term debt	329,375	3,856	4.70	250,466	3,336	5.34
Total interest bearing liabilities	2,899,925	20,408	2.82%	2,897,116	30,696	4.25%
Demand deposits	412,729			365,731		
Other liabilities (3)	57,003			66,820		
Stockholders' equity	273,862			279,737		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$3,643,519			$3,609,404		
NET INTEREST INCOME		$ 38,157			$ 34,477	
INTEREST RATE SPREAD			4.06%			3.51%
NET INTEREST MARGIN			4.48%			4.10%
Taxable equivalent adjustment			$ 1,075			$ 972

(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.

(dollars in thousands)	2002 AVERAGE BALANCE	2002 INTEREST	2002 YIELD/ RATES	2001 Average Balance	2001 Interest	2001 Yield/ Rates
	Six months ended June 30,					
ASSETS						
Short-term interest bearing accounts	$ 12,674	$ 193	3.07%	$ 12,754	$ 337	5.33%
Trading securities	166	4	4.86	6,913	345	10.06
Securities available for sale (2)	926,713	29,249	6.36	928,527	31,475	6.84
Securities held to maturity (2)	100,670	3,157	6.32	102,226	3,425	6.76
Investment in FRB and FHLB Banks	21,004	402	3.86	26,261	864	6.63
Loans and leases (1)	2,319,971	83,978	7.30	2,269,654	95,532	8.49
Total interest earning assets	3,381,198	116,983	6.98	3,346,335	131,978	7.95
Other assets	232,084			236,180		
TOTAL ASSETS	$3,613,282			$3,582,515		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Money market deposit accounts	$ 272,602	2,121	1.57	$ 254,838	4,261	3.37
NOW deposit accounts	382,498	1,828	0.96	334,636	2,622	1.58
Savings deposits	469,895	3,542	1.52	408,470	4,908	2.42
Time deposits	1,352,431	25,765	3.84	1,495,328	42,364	5.71
Total interest bearing deposits	2,477,426	33,256	2.71	2,493,272	54,155	4.38
Short-term borrowings	81,136	635	1.58	138,873	3,429	4.98
Long-term debt	318,935	7,494	4.74	245,419	6,633	5.45
Total interest bearing liabilities	2,877,497	41,385	2.90%	2,877,564	64,217	4.50%
Demand deposits	409,086			359,099		
Other liabilities (3)	54,209			70,174		
Stockholders' equity	272,490			275,678		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$3,613,282			$3,582,515		
NET INTEREST INCOME		$ 75,598			$ 67,761	
INTEREST RATE SPREAD			4.08%			3.45%
NET INTEREST MARGIN			4.51%			4.08%
Taxable equivalent adjustment	$ 2,171				$ 1,877	

(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.

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 June 30,

	INCREASE (DECREASE) 2002 OVER 2001		
(in thousands)	VOLUME	RATE	TOTAL
Short-term interest bearing accounts	$ 18	$ (55)	$ (37)
Trading securities	(174)	(124)	(298)
Securities available for sale	499	(878)	(379)
Securities held to maturity	(39)	(113)	(152)
Investment in FRB and FHLB Banks	(28)	(120)	(148)
Loans and leases	493	(6,087)	(5,594)
Total interest income	827	(7,435)	(6,608)
Money market deposit accounts	85	(949)	(864)
NOW deposit accounts	142	(311)	(169)
Savings deposits	322	(910)	(588)
Time deposits	(1,830)	(6,234)	(8,064)
Short-term borrowings	(440)	(683)	(1,123)
Long-term debt	959	(439)	520
Total interest expense	30	(10,318)	(10,288)
CHANGE IN FTE NET INTEREST INCOME	$ 797	$ 2,883	$ 3,680

Six months ended June 30,

	INCREASE (DECREASE) 2002 OVER 2001		
(in thousands)	VOLUME	RATE	TOTAL
Short-term interest bearing accounts	$ (2)	$ (142)	$ (144)
Trading securities	(223)	(118)	(341)
Securities available for sale	(61)	(2,165)	(2,226)
Securities held to maturity	(51)	(217)	(268)
Investment in FRB and FHLB Banks	(150)	(312)	(462)
Loans and leases	2,077	(13,631)	(11,554)
Total interest income	1,362	(16,357)	(14,995)
Money market deposit accounts	279	(2,419)	(2,140)
NOW deposit accounts	336	(1,130)	(794)
Savings deposits	659	(2,025)	(1,366)
Time deposits	(3,749)	(12,850)	(16,599)
Short-term borrowings	(1,057)	(1,737)	(2,794)
Long-term debt	1,806	(945)	861
Total interest expense	(1)	(22,831)	(22,832)
CHANGE IN FTE NET INTEREST INCOME	$ 1,363	$6,474	$ 7,837

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2002 COMPARED TO THREE MONTHS ENDED JUNE 30, 2001

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 increased $3.7 million during the three months ended June 30, 2002 compared to the same period of 2001. The increase in FTE net interest income resulted primarily from interest-bearing liabilities re-pricing downward at a faster rate than earning assets. The rate paid on interest-bearing liabilities decreased 143 basis points ("bp"), to 2.82% for the three months ended June 30, 2002, from 4.25% for the same period in 2001. Meanwhile, the yield on earning assets decreased 88 bp, to 6.88% for the three months ended June 30, 2002, from 7.76% for the same period in 2001.

Total FTE interest income for the three months ended June 30, 2002 decreased $6.6 million compared to the same period in 2001, 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 falling rate environment in 2001. During the same time period, total interest expense decreased $10.3 million, primarily the result of the falling 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 46.8% of interest-bearing liabilities for the three months ended June 30, 2002 from 51.8% for the same period in 2001. Offsetting this decrease in the interest-bearing liabilities mix, was an increase in lower cost NOW, MMDA, and Savings deposits, to 39.2% of interest-bearing liabilities for the three months ended June30, 2002 from 35.0% for the same period in 2001. Total borrowings remained relatively unchanged, comprising 14.0% and 13.2% of interest-bearing liabilities for the three months ended June 30, 2002 and 2001, respectively.

Another important performance measurement of net interest income is the net interest margin. Net interest margin increased to 4.48% for the three months ended June 30, 2002, up from 4.10% for the comparable period in 2001. The increase in the net interest margin can be primarily attributed to the previously mentioned increase in the interest rate spread driven by the decrease in the cost of interest bearing liabilities exceeding the decrease in yield on earning assets. Additionally, the net interest margin improved from the increase in average noninterest-bearing demand deposits, which increased 12.9% from an average of $365.7 million for the three months ended June 30, 2001 to $412.7 million for the same period in 2002. For the three months ended June 30, 2002, average noninterest-bearing demand deposits comprised 12.5% of total average interest-bearing liabilities and noninterest-bearing demand deposits, up from 11.2% for the same period in 2001.

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 JUNE 30, 2002	2001
Service charges on deposit accounts	$3,239	$3,226
Broker/dealer and insurance fees	1,483	900
Trust	1,154	1,070
Other	2,377	2,274
Total core noninterest income	8,253	7,470
Net securities gains	69	227
Loan valuation (losses) gains	(18)	6
Total	$8,304	$7,703

Core noninterest income for the three months ended June 30, 2002, which excludes net securities gains and losses and loan valuation gains and losses, increased 10.5% to $8.3 million from $7.5 million for the same period in 2001. The primary driver of this increase was the increase of $0.6 million in broker/dealer and insurance fees. The increase in broker/dealer and insurance fees resulted primarily from one of the Company's financial services providers, Colonial Financial Services, Inc., which began operations in June 2001, resulting in a full quarter of revenue of $0.4 million in the second quarter of 2002.

Included in noninterest income were net securities gains totaling $0.1 million for the three months ended June 30, 2002. During the three month period end June 30, 2002, the Company sold $5.4 million of asset backed securities previously held by CNB Financial Corp. (CNB), which the Company acquired on November 8, 2001, containing a higher level of credit risk due to a rapid deterioration in the financial condition of the underlying collateral during the quarter, resulting in a $4.5 million loss. Offsetting these losses, were gains of $4.6 million resulting primarily from the sale of various securities amounting to $130.5 million. The securities sold were considered to generally contain a high risk of rapid pre-payments in a falling rate environment. The proceeds from the sale of these securities were invested in short duration, stable cash flow producing mortgage-backed securities and short callable agency securities. These transactions enabled the Company to improve the credit quality and stabilize the cash flow stream of its investment portfolio.

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:

(in thousands)	THREE MONTHS ENDED JUNE 30, 2002	2001
Salaries and employee benefits	$12,649	$11,569
Occupancy	2,096	2,179
Equipment	1,818	1,700
Data processing and communications	2,598	2,348
Professional fees and outside services	1,782	1,480
Office supplies and postage	1,227	1,282
Amortization of intangible assets	830	1,012
Capital securities	230	341
Loan collection and other real estate owned	781	483
Other	3,175	2,760
Total noninterest expense	$27,186	$25,154

Noninterest expense increased $2.0 million or 8.1% to $27.2 million for the three months ended June 30, 2002 from $25.2 million for the same period in 2001. Salaries and employee benefits increased $1.1 million or 9.3%, to $12.6 million for the three months ended June 30, 2002 from $11.6 million for the same period in 2001. The increase in salaries and employee benefits was due primarily to an increase in incentive compensation of $0.9 million, resulting from improved operating performance. Other expense increased $0.4 million, to $3.2 million for the three months ended June 30, 2002 from $2.8 million for the same period in 2001. There were no significant increases for the various items that comprise other expense. Professional fees and costs of outside services increased $0.3 million, to $1.8 million for the three months ended June 30, 2002 from $1.5 million for the same period in 2001. The increase in professional fees and costs of outside services resulted mainly from professional fees for legal matters.

Loan collection and other real estate owned expenses increased $0.3 million, to $0.8 million for the three months ended June 30, 2002 from $0.5 million for the same period in 2001. This increase is due primarily to the increase in nonperforming loans during 2001, which resulted in an increase in collection activity and foreclosure costs during the three months ended June 30, 2002. Given the increase in nonperforming loans in 2001, the Company anticipates an increase in costs associated with loan collection and foreclosure activity when compared to historical amounts.

Amortization of intangible assets decreased $0.2 million, to $0.8 million for the three months ended June 30, 2002 from $1.0 million for the same period in 2001. The decrease in amortization of intangible assets resulted from the adoption of SFAS No. 142. Had the requirements of SFAS No. 142 been applied to the 2001 period, amortization of intangible assets would have been $0.8 million.

Income Taxes

Income tax expense for the three months ended June 30, 2002 was $5.3 million for an effective tax rate of 32.7%, compared to $2.6 million, or 28.4%, for the same period in 2001. The lower tax rate in the 2001 period resulted primarily from lower net income before tax when compared to the 2002 period, which resulted in a greater benefit from favorable permanent differences.

SIX MONTHS ENDED JUNE 30, 2002 COMPARED TO SIX MONTHS ENDED JUNE 30, 2001

Net Interest Income

Net interest income on a federal taxable equivalent basis (FTE) increased $7.8 million to $75.6 million for 2002 compared to $67.8 million for 2001. The net interest margin improved 43 bp from 4.08% to 4.51%. The increase in FTE net interest income resulted primarily from interest-bearing liabilities re-pricing downward at a faster rate than earning assets. The rate paid on interest-bearing liabilities decreased 160 basis points ("bp"), to 2.90% for 2002, from 4.50% for 2001. Meanwhile, the yield on earning assets decreased 97 bp, to 6.98% for 2002, from 7.95% for 2001.

Total FTE interest income for 2002 decreased $15.0 million compared to 2001, a result of the previously mentioned decrease in yield on earning assets. During the same time period, total interest expense decreased $22.8 million, primarily the result of the falling 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 47.0% of interest-bearing liabilities for 2002 from 52.0% for 2001. Offsetting this decrease in the interest-bearing liabilities mix, was an increase in lower cost NOW, MMDA, and Savings deposits, to 39.1% of interest-bearing liabilities for 2002 from 34.7% for 2001. Total borrowings remained relatively unchanged, comprising 13.9% and 13.3% of interest-bearing liabilities for 2002 and 2001, respectively.

Noninterest Income

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

	SIX MONTHS ENDED JUNE 30,	
	2002	2001
(in thousands)		
Service charges on deposit accounts	$6,289	$5,997
Broker/dealer and insurance fees	2,978	1,923
Trust	2,174	2,116
Other	5,020	4,701
Total core noninterest income	16,461	14,737
Net securities (losses) gains	(433)	1,250
Loan valuation (losses) gains	(50)	26
Gain on sale of a branch, net	220	-
Gain on sale of a building	-	1,367
Total	$16,198	$17,380

Core noninterest income increased $1.7 million or 11.7% to $16.5 million for 2002 from $14.7 million for the same period in 2001. Broker/dealer and insurance fees increased $1.1 million primarily from one of the Company's financial services providers, Colonial Financial Services, Inc., which began operations in June 2001, resulting in six months of revenue totaling $0.8 million in 2002. Service charges on deposit accounts in 2002 increased $0.3 million or 4.9% over the same period a year earlier as a result of the Company's expanded branch network. Other income increased $0.3 million in 2002 when compared to 2001, due mainly to an increase in other banking fees.

Noninterest Expense

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

(in thousands)	SIX MONTHS ENDED JUNE 30, 2002	2001
Salaries and employee benefits	$25,305	$23,302
Occupancy	4,265	4,466
Equipment	3,532	3,433
Data processing and communications	5,163	5,004
Professional fees and outside services	3,397	2,600
Office supplies and postage	2,124	2,361
Amortization of intangible assets	1,690	1,976
Capital securities	446	745
Loan collection and other real estate owned	1,725	807
Other	5,869	4,985
Total core noninterest expense	53,516	49,679
Certain deposit overdraft write-offs	-	2,125
Total noninterest expense	$53,516	$51,804

Core noninterest expense, which excludes certain deposit overdraft write-offs, increased $3.8 million or 7.7% to $53.5 million for 2002 from $49.7 million for 2001. Salaries and employee benefits increased $2.0 million or 8.6%, to $25.3 million for 2002 from $23.3 million for 2001. The increase in salaries and employee benefits was due primarily to increases in incentive compensation of $1.2 million, employee medical costs of $0.3 million and retirement expense of $0.3 million. Professional fees and costs of outside services increased $0.8 million, to $3.4 million for 2002 from $2.6 million for 2001. The increase in professional fees and costs of outside services resulted mainly from professional fees for legal matters.

Loan collection and other real estate owned expenses increased $0.9 million, to $1.7 million for 2002 from $0.8 million for 2001. This increase is due primarily to the increase in nonperforming loans during 2001, which resulted in an increase in collection activity and foreclosure costs during 2002. Other expense increased $0.9 million, to $5.9 million for 2002 from $5.0 million for 2001. The increase in other expense was due to a $0.3 million of expense related to a noncompetition agreement, an increase in marketing expense of $0.3 million and a $0.2 million charge related to a probable sales tax assessment.

Occupancy and office supplies & postage experienced decreases for 2002 when compared to 2001. These decreases resulted primarily from cost savings realized from recent acquisitions completed during 2001 and 2000. Data processing and equipment experienced increases for 2002 when compared to 2001 as a result of costs related to enhancements made to the data processing capabilities of the Company.

Amortization of intangible assets decreased $0.3 million, to $1.7 million for 2002 from $2.0 million for 2001. The decrease in amortization of intangible assets resulted from the adoption of SFAS No. 142. Had the requirements of SFAS No. 142 been applied to 2001, amortization of intangible assets would have been $1.6 million. Capital securities expense decreased $0.3 million, to $0.4 million for 2002 from $0.7 million for 2001. The decrease in capital securities expense is a result of the Company's guaranteed preferred beneficial interests in Company's junior subordinated debentures, which are tied to a variable interest rate index (3-month LIBOR plus 275 bp) that was much lower for the first six months of 2002 than the same period in 2001.

Income Taxes

Income tax expense for 2002 was $10.5 million for an effective tax rate of 32.8%, compared to $7.2 million, or 30.6%, for 2001. The lower tax rate in the 2001 period resulted primarily from lower net income before tax when compared to the 2002 period, which resulted in a greater benefit from favorable permanent differences.

ANALYSIS OF FINANCIAL CONDITION

Loans and Leases

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

	June 30, 2002	December 31, 2001	June,30 2001
	(in thousands)		
Commercial and commercial mortgages*	$1,059,046	$1,053,416	$1,066,356
Residential real estate mortgages	612,018	594,206	549,915
Consumer	592,218	613,631	645,725
Leases	67,274	72,048	81,681
Other loans	5,485	6,335	9,398
Total loans and leases	$2,336,041	$2,339,636	$2,353,075

* - Includes agricultural loans

Total loans and leases were $2.3 billion, or 63.5% of assets, at June 30, 2002, compared to $2.3 billion, or 64.3%, at December 31, 2001, and $2.4 billion, or 63.6%, at June 30, 2001. Total loans and leases decreased $3.6 million at June 30, 2002 when compared to December 31, 2001. The slight decrease in total loans and leases during the year resulted mainly from the Company's on going efforts to improve the credit administration functions at its recently acquired banks and continued focus on resolving troubled loans.

Securities
- ----------

Average total securities were $2.6 million less for the first six months of 2002 than for the same period of 2001. Decreases in securities held to maturity and trading securities from maturities and sales were reinvested into the securities available for sale portfolio. During the first six months of 2002, the securities portfolio represented 30.6% of average earning assets compared to 31.0% for the same period in 2001. At June 30, 2002, the securities portfolio was comprised of 90% available for sale and 10% held to maturity securities.

At December 31, 2001, nonperforming securities were comprised of a private issue collateralized mortgage obligation (CMO) valued at $2.7 million and an asset backed security valued at $1.8 million compared to a $1.6 million private issue CMO at June 30, 2002. The decrease in nonperforming securities during the first six months of 2002 resulted mainly from the sale of the asset backed security at approximately its carrying value and a $0.7 million write-down of the CMO during the first quarter of 2002 due to other-than-temporary impairment. The Company received $0.4 million in payments from the impaired CMO during the second quarter of 2002, resulting in a reduction in the carrying amount of the CMO to $1.6 million.

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

At June 30, 2002, the amortized cost and fair value of these securities amounted to $27.5 million and $26.8 million, respectively, down from $38.7 million and $38.5 million, respectively, at December 31, 2001. The decrease at June 30, 2002 when compared to December 31, 2001, resulted primarily from sales and principal paydowns. As noted previously, the Company sold $5.4 million of asset backed securities containing a higher level of credit risk due to a rapid deterioration in the financial condition of the underlying collateral related to the asset backed securities during the second quarter of 2002, resulting in a $4.5 million loss. Management cannot predict the extent to which economic conditions may worsen or other factors may impact these securities. Accordingly, there can be no assurance that these securities will not become other-than-temporarily impaired in the future.

At December 31, 2001, the Company had certain embedded derivative instruments from the CNB Bank investment portfolio related to two debt securities that have returns linked to the performance of the NASDAQ 100 index. As of December 31, 2001, the embedded derivatives related to the debt securities linked to the NASDAQ 100 index had no fair value. The two debt securities were classified as available for sale. At December 31, 2001, the total amortized cost and estimated fair value of these two debt securities was $6.2 million. The two debt securities were sold in 2002 at amounts approximating their carrying values at December 31, 2001 as these two securities did not meet the risk profile of the Company's security portfolio.

Allowance for Loan Losses, Nonperforming Assets and the Provision for Loan 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 that 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; 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 June 30, 2002 was 1.87% compared to 1.45% at June 30, 2001. Management considers the allowance for loan losses to be adequate based on evaluation and analysis of the loan portfolio.

Table 4 reflects changes to the allowance for loan 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 LOSSES

(dollars in thousands)	Three months ended June 30, 2002		Three months ended June 30, 2001		Six months ended June 30, 2002		Six months ended June 30, 2001	
Balance, beginning of period	$45,299		$32,486		$44,746		$32,494	
Recoveries	938		408		2,300		840	
Chargeoffs	(4,610)		(6,145)		(7,430)		(7,796)	
Net chargeoffs	(3,672)		(5,737)		(5,130)		(6,956)	
Allowance related to purchase acquisition	-		505		-		505	
Provision for loan losses	2,092		6,872		4,103		8,083	
Balance, end of period	$43,719		$34,126		$43,719		$34,126	
COMPOSITION OF NET CHARGEOFFS								
Commercial and agricultural	$(2,420)	66%	$(4,734)	83%	$(2,317)	45%	$(5,215)	75%
Real estate mortgage	(151)	4%	(100)	2%	(371)	7%	(208)	3%
Consumer	(1,101)	30%	(903)	15%	(2,442)	48%	(1,533)	22%
Net chargeoffs	$(3,672)	100%	$(5,737)	100%	$(5,130)	100%	$(6,956)	100%
Annualized net chargeoffs to average loans		0.64%		1.00%		0.45%		0.61%
Net chargeoffs to average loans for theyear ended December 31, 2001								0.87%

Nonperforming assets consist of nonaccrual loans, loans 90 days or more past due, 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 $34.5 million at June 30, 2002 compared to $49.9 million at December 31, 2001 and $33.9 million at June 30, 2001. The increase from June 30, 2001 to December 31, 2001 can be primarily attributed to a $13.9 million increase in nonperforming loans. This increase was primarily the result of integrating newly acquired banks into the Company as well as adverse economic conditions. Nonperforming loans totaled $31.1 million at June 30, 2002, down from the $43.8 million outstanding at December 31, 2001. The $12.5 million decrease in nonperforming loans from December 31, 2001 to June 30, 2002 was due primarily to the Company's successful efforts in resolving certain large problematic commercial loans. Nonaccrual commercial and agricultural loans decreased $10.5 million, from $31.4 million at December 31, 2001 to $20.8

million at June 30, 2002. Based on the improved trends in loan quality noted above and the decrease in net charge-offs in 2002 when compared to 2001 highlighted in Table 4 above, the Company recorded a provision for loan and lease losses of $2.1 million and $4.1 million, respectively, for the three and six months ended June 30, 2002, down from the $6.9 million and $8.1 million provided in the same periods in 2001.

TABLE 5
NONPERFORMING ASSETS

(dollars in thousands)	JUNE 30, 2002	December 31, 2001	June 30, 2001
Commercial and agricultural	$ 20,835	$ 31,372	$ 21,504
Real estate mortgage	5,935	5,119	3,806
Consumer	3,757	3,719	2,366
Total nonaccrual loans	30,527	40,210	27,676
Loans 90 days or more past due and still accruing:			
Commercial and agricultural	-	198	13
Real estate mortgage	14	1,844	594
Consumer	239	933	1,079
Total loans 90 days or more past due and still accruing	253	2,975	1,686
Restructured loans in compliance with modified terms:	530	603	491
Total nonperforming loans	31,310	43,788	29,853
Other real estate owned (OREO)	2,047	1,577	1,750
Total nonperforming loans and OREO	33,357	45,365	31,603
Nonperforming securities	1,560	4,500	2,309
Total nonperforming assets	$ 34,917	$ 49,865	$ 33,912
Total nonperforming loans to loans and leases	1.34%	1.87%	1.45%
Total nonperforming assets to assets	0.95%	1.37%	1.27%
Total allowance for loan and lease losses to nonperforming loans	139.63%	102.19%	114.31%

In addition to the nonperforming loans discussed above, the Company has also identified approximately $37.2 million in potential problem loans at June 30, 2002 as compared to $48.6 million at December 31, 2001. Potential problem loans are loans that are currently performing, but where known information about possible credit problems of the related borrowers causes management to have serious doubts as to the ability of such borrowers to comply with the present loan repayment terms and which may result in disclosure of such loans as non-performing at some time in the future. At the Company, potential problem loans are typically loans that are performing but are classified by the Company's loan rating system as "substandard." At June 30, 2002, 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.

Deposits

Total deposits were $2.9 billion at June 30, 2002, a slight decrease of $48.0 million, or 1.6%, from year end 2001. Total average deposits increased $34.1 million, or 1.2%, from June 30, 2001 to June 30, 2002. The Company's acquisition of FNB in June 2001 added approximately $108.0 million in deposits offset by the sale of a branch in February 2002 which resulted in the decrease of approximately $34.3 million in deposits. 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 brokered and jumbo time deposits. At June 30, 2002, total checking, savings and money market accounts represented 53.9% of total deposits compared to 48.6% at June 30, 2001.

Borrowings

The Company's borrowed funds consist of short-term borrowings and long-term debt. Short-term borrowings totaled $122.9 million at June 30, 2002 compared to $122.0 million and $146.5 million at December 31, and June 30, 2001, respectively. Long-term debt was $350.7 million at June 30, 2002, compared to $272.3 million and $276.9 million at December 31, and June 30, 2001, respectively, as the Company took advantage of lower interest rates and locked in longer term advances.

CAPITAL RESOURCES

Stockholders' equity of $281.9 million represents 7.7% of total assets at June 30, 2002, compared with $292.7 million, or 7.9% in the comparable period of the prior year, and $266.4 million, or 7.3% at December 31, 2001. 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.

The following table presents the actual capital amounts and ratios for the periods presented. 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
2002		
Tier 1 leverage ratio	6.71%	6.87%
Tier 1 capital ratio	9.94%	9.99%
Total risk-based capital ratio	11.20%	11.24%
Cash dividends as a percentage of net income	52.71%	52.38%
Per common share:		
Book value	$ 8.07	$ 8.50
Tangible book value	$ 6.62	$ 7.07
2001		
Tier 1 leverage ratio	7.18%	7.07%
Tier 1 capital ratio	10.70%	10.00%
Total risk-based capital ratio	11.95%	11.23%
Cash dividends as a percentage of net income	48.89%	59.36%
Per common share:		
Book value	$ 8.60	$ 8.74
Tangible book value	$ 7.22	$ 7.21

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 2.24 at June 30, 2002 and 2.27 a year ago. The per share market price was 14.11 times annualized earnings at June 30, 2002 and 19.69 times annualized earnings at June 30, 2001.

TABLE 7
QUARTERLY COMMON STOCK AND DIVIDEND INFORMATION*

Quarter Ending	High	Low	Close	Cash Dividends Declared
2001				
September 30	17.30	13.50	14.30	0.170
December 31	15.99	12.55	14.49	0.170
2002				
MARCH 31	$15.15	$13.15	$14.74	$0.170
JUNE 30	$19.32	$14.00	$18.07	$0.170

On July 22, 2002 the Company announced that it intends to repurchase up to one million shares (approximately 3%) of its outstanding common stock from time to time over the next 12 months in open market and privately negotiated transactions.

LIQUIDITY AND INTEREST RATE SENSITIVITY MANAGEMENT

MARKET RISK

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

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

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

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

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

The model is first run under an assumption of a flat rate scenario (i.e. no change in current interest rates) with a static balance sheet over a 12-month period. A second and third model are run in which a gradual increase of 200 bp and a gradual decrease of 150 bp takes place over a 12 month period. Under these scenarios, assets subject to prepayments are adjusted to account for faster or slower prepayment assumptions. Any investment securities or borrowings that

have callable options embedded into them are handled accordingly based on the interest rate scenario. The resultant changes in net interest income are then measured against the flat rate scenario.

In the declining rate scenarios, net interest income is projected to increase when compared to the flat rate scenario through the simulation period. The level of net interest income increasing is a result of interest-bearing liabilities repricing downward at a faster rate than earning assets. In the rising rate scenarios, net interest income is projected to experience a decline from the flat rate scenario. Net interest income is projected to remain at lower levels than in a flat rate scenario through the simulation period primarily due to a lag in assets repricing while funding costs increase. The potential impact on earnings is dependent on the ability to lag deposit repricing.

Net interest income for the next twelve months in a + 200/- 150 bp scenario is within the internal policy risk limits of a not more than a 5% change in net interest income. The following table summarizes the percentage change in net interest income in the rising and declining rate scenarios over a 12 month period from the forecasted net interest income in the flat rate scenario using the June 30, 2002 balance sheet position:

TABLE 10
INTEREST RATE SENSITIVITY ANALYSIS

Change in interest rates (in basis points)	Percent change in net interest income
+200	(2.28%)
-150	0.41%

LIQUIDITY RISK

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

The primary liquidity measurement the Company utilizes is called the Basic Surplus which captures the adequacy of its access to reliable sources of cash relative to the stability of its funding mix of average liabilities. This approach recognizes the importance of balancing levels of cash flow liquidity from short- and long-term securities with the availability of dependable borrowing sources which can be accessed when necessary. At June 30, 2002, the Company's Basic Surplus measurement was 10.32% of total assets, which was above the Company's minimum of 5% set forth in its liquidity policies. If the Company's liquidity position tightens and its Basic Surplus measurement decreases, the Company has the ability to manage its liquidity through brokered time deposits, established borrowing facilities, primarily with the Federal Home Loan Bank, and entering into repurchase agreements with investment companies.

This Basic Surplus approach enables the Company to adequately manage liquidity from both operational and contingency perspectives. By tempering the need for cash flow liquidity with reliable borrowing facilities, the Company is able to operate with a more fully invested and, therefore, higher interest income generating, securities portfolio. The makeup and term structure of the securities portfolio is, in part, impacted by the overall interest rate sensitivity of the balance sheet. Investment decisions and deposit pricing strategies are impacted by the liquidity position. At June 30, 2002, the Company considered its Basic Surplus adequate to meet liquidity needs.

At June 30, 2002, a large percentage of the Company's loans and securities are pledged as collateral on borrowings. Therefore, future growth of earning assets will depend upon the Company's ability to obtain additional funding, through growth of core deposits and collateral management, and may require further use of brokered time deposits, or other higher cost borrowing arrangements.

SARBANES-OXLEY ACT OF 2002

On July 30, 2002, President Bush signed into law the Sarbanes-Oxley Act of 2002, landmark legislation on accounting reform and corporate governance. Although much of the act is still being assessed, we do not anticipate any significant changes in the operations of, and reporting by the Company as a result of the Act. In accordance with requirements of the Sarbanes-Oxley Act, written certifications for this quarterly report on Form 10-Q by the chief executive officer and chief financial officer accompany this report as filed with the SEC.

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.

PART II. OTHER INFORMATION

Item 1 -- Legal Proceedings

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

Item 2 -- Changes in Securities

None.

Item 3 -- Defaults Upon Senior Securities

None

Item 4 -- Submission of Matters to a Vote of Security Holders

The Company's Annual Meeting of Stockholders was held on May 2, 2002. Stockholders approved the following proposals:

A proposal to fix the number of directors to sixteen was approved. There were 24,043,045 votes cast for the proposal, 599,832 votes cast against the proposal and 175,167 broker non-votes regarding this matter.

The following directors were elected with terms expiring at the annual meeting in 2005:

Director	Votes
Richard Chojnowski	24,128,402 votes for election, 516,689 votes against election
Dr. Peter B. Gregory	24,423,792 votes for election, 221,299 votes against election
Paul O. Stillman	24,430,632 votes for election, 214,459 votes against election
Joseph A Santangelo	24,364,931 votes for election, 280,160 votes against election
Janet H. Ingraham	24,424,468 votes for election, 220,623 votes against election
Paul D. Horger	24,422,268 votes for election, 222,369 votes against election

The following directors were elected with terms expiring at the annual meeting in 2003:

Director	Votes
Michael H. Hutcherson	24,393,049 votes for election, 252,042 votes against election
Michael M. Murphy	24,043,045 votes for election, 599,832 votes against election

Item 5 -- Other Information

On July 22, 2002, NBT Bancorp Inc. announced the declaration of a regular quarterly cash dividend of $0.17 per share. The cash dividend will be paid on September 15, 2002 to stockholders of record as of September 1, 2002.

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

(a) none.

(b) During the quarter ended June 30, 2002, the Company filed the following Current Reports on Form 8-K:

None filed.

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 13th day of August 2002.

NBT BANCORP INC.

By: /s/ MICHAEL J. CHEWENS

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