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, 2003.
OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
- -----
SECURITIES EXCHANGE ACT OF 1934
For the transition period from ________ to ________.

COMMISSION FILE NUMBER 0-14703

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

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

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

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

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

As of July 31, 2003, there were 32,445,931 shares outstanding of the Registrant's common stock, $0.01 par value.

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

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

(in thousands, except share and per share data)	JUNE 30, 2003	December 31, 2002	June 30, 2002
ASSETS			
Cash and due from banks	$ 143,884	$ 121,824	$ 108,456
Short-term interest bearing accounts	3,507	2,799	5,950
Trading securities, at fair value	69	203	280
Securities available for sale, at fair value	987,147	1,007,583	988,538
Securities held to maturity (fair value - $94,339, $84,517 and $89,880)	92,452	82,514	88,882
Federal Reserve and Federal Home Loan Bank stock	29,175	23,699	23,372
Loans and leases	2,496,385	2,355,932	2,336,041
Less allowance for loan and lease losses	40,858	40,167	43,719
Net loans and leases	2,455,527	2,315,765	2,292,322
Premises and equipment, net	61,332	61,261	61,716
Goodwill	47,558	46,121	46,121
Intangible assets, net	2,606	2,246	2,589
Bank owned life insurance	30,014	0	0
Other assets	64,186	59,711	60,716
TOTAL ASSETS	$3,917,457	$ 3,723,726	$ 3,678,942
LIABILITIES, GUARANTEED PREFERRED BENEFICIAL INTERESTS IN COMPANY'S JUNIOR SUBORDINATED DEBENTURES AND STOCKHOLDERS' EQUITY			
Deposits:			
Demand (noninterest bearing)	$ 470,422	$ 449,201	$ 424,615
Savings, NOW, and money market	1,304,304	1,183,603	1,119,730
Time	1,190,470	1,289,236	1,323,300
Total deposits	2,965,196	2,922,040	2,867,645
Short-term borrowings	211,981	105,601	122,903
Long-term debt	370,129	345,475	350,729
Other liabilities	55,301	41,228	37,903
Total liabilities	3,602,607	3,414,344	3,379,180
Guaranteed preferred beneficial interests in Company's junior subordinated debentures	17,000	17,000	17,000
Stockholders' equity:			
Preferred stock, $0.01 par, none issued, 2,500,000 authorized at June 30, 2003, December 31, 2002 and June 30, 2002	-	-	-
Common stock, $0.01 par value per share; shares authorized-50,000,000; shares issued 34,401,128, 34,401,171, and 34,401,212 at June 30, 2003, December 31, 2002, and June 30, 2002, respectively	344	344	344
Additional paid-in-capital	209,769	210,443	210,445
Retained earnings	107,409	95,085	83,613
Unvested restricted stock awards	(260)	(127)	(189)
Accumulated other comprehensive income	14,573	16,531	9,214
Treasury stock at cost 1,980,290 1,751,724, and 1,219,970 shares at June 30, 2003, December 31, 2002 and June 30, 2002, respectively	(33,985)	(29,894)	(20,665)
Total stockholders' equity	297,850	292,382	282,762
TOTAL LIABILITIES, GUARANTEED PREFERRED BENEFICIAL INTERESTS IN COMPANY'S JUNIOR SUBORDINATED DEBENTURES AND STOCKHOLDERS' EQUITY	$3,917,457	$ 3,723,726	$3,6,78,942

See notes to unaudited interim consolidated financial statements.

NBT BANCORP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(in thousands, except per share data)	Three months ended June 30, 2003	Three months ended June 30, 2002	Six months ended June 30, 2003	Six months ended June 30, 2002
INTEREST, FEE AND DIVIDEND INCOME:				
Loans	$ 39,540	$ 41,390	$ 79,155	$ 83,617
Securities available for sale	10,864	14,668	22,669	28,297
Securities held to maturity	857	1,115	1,746	2,299
Trading securities	1	2	3	4
Other	331	315	655	595
Total interest, fee and dividend income	51,593	57,490	104,228	114,812
INTEREST EXPENSE:				
Deposits	12,040	16,265	24,652	33,256
Short-term borrowings	370	287	659	635
Long-term debt	3,691	3,856	7,396	7,494
Total interest expense	16,101	20,408	32,707	41,385
Net interest income	35,492	37,082	71,521	73,427
Provision for loan and lease losses	1,413	2,092	3,353	4,103
Net interest income after provision for loan losses	34,079	34,990	68,168	69,324
NONINTEREST INCOME:				
Trust	1,116	804	2,008	1,623
Service charges on deposit accounts	3,764	3,239	7,367	6,289
Broker/dealer and insurance fees	1,750	1,483	3,142	2,978
Net securities (losses) gains	38	69	65	(433)
Gain on sale of branch, net	-	-	-	220
Other	2,271	2,207	5,099	4,536
Total noninterest income	8,939	7,802	17,681	15,213
NONINTEREST EXPENSE:				
Salaries and employee benefits	12,060	12,497	24,719	24,871
Office supplies and postage	1,011	1,227	2,084	2,124
Occupancy	2,182	2,096	4,708	4,265
Equipment	1,944	1,818	3,710	3,532
Professional fees and outside services	1,240	1,782	2,542	3,397
Data processing and communications	2,720	2,598	5,441	5,163
Capital securities	179	230	370	446
Amortization of intangible assets	155	208	317	433
Loan collection and other real estate owned	476	748	756	1,675
Other operating	3,881	2,858	7,093	5,368
Total noninterest expense	25,848	26,062	51,740	51,274
Income before income taxes	17,170	16,730	34,109	33,263
Income taxes	5,362	5,464	10,735	10,920
NET INCOME	$ 11,808	$ 11,266	$ 23,374	$ 22,343
Earnings per share:				
Basic	$ 0.36	$ 0.34	$ 0.72	$ 0.67
Diluted	$ 0.36	$ 0.34	$ 0.71	$ 0.67

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, 2001	$ 343	$ 209,176	$ 72,531		$ 3,921
Net Income			22,343		
Cash Dividends - $0.34 per share			(11,261)		
Purchase of 72,900 treasury shares					
Issuance of 162,421 shares to employee benefits 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	$ 83,613	($189)	$ 9,214
BALANCE AT DECEMBER 31, 2002	$ 344	$ 210,443	$ 95,085	($127)	$ 16,531
Net income			23,374		
Cash dividends - $0.34 per share			(11,050)		
Purchase of 369,313 treasury shares					
Issuance of 41,980 shares in exchange for 20,172 shares received as consideration for the exercise of incentive stock options		(357)			
Net issuance of 107,403 shares to employee benefit plans and other stock plans, including tax benefit		(317)			
Grant of 11,536 shares of restricted stock awards				(203)	
Amortization of restricted stock awards				70	
Other comprehensive (loss)					(1,958)
BALANCE AT JUNE 30, 2003	$ 344	$ 209,769	$ 107,409	($260)	$ 14,573

(in thousands, except share and per share data)	Treasury Stock	Total
BALANCE AT DECEMBER 31, 2001	($19,616)	$266,355
Net Income		22,343
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 benefits 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)	$282,762
BALANCE AT DECEMBER 31, 2002	$ (29,894)	$292,382
Net income		23,374
Cash dividends - $0.34 per share		(11,050)
Purchase of 369,313 treasury shares	(6,489)	(6,489)
Issuance of 41,980 shares in exchange for 20,172 shares received as consideration for the exercise of incentive stock options	357	-
Net issuance of 107,403 shares to employee benefit plans and other stock plans, including tax benefit	1,838	1,521
Grant of 11,536 shares of restricted stock awards	203	-
Amortization of restricted stock awards		70
Other comprehensive (loss)		(1,958)

BALANCE AT JUNE 30, 2003	($33,985)	$297,850

See notes to unaudited interim consolidated financial statements.

NBT BANCORP INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Six Months Ended June 30, 2003	2002 (Unaudited)
OPERATING ACTIVITIES:		
Net income	$ 23,374	$ 22,343
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	3,353	4,103
Depreciation of premises and equipment	3,232	3,451
Net amortization (accretion) on securities	2,250	(866)
Amortization of intangible assets	317	433
Amortization of restricted stock awards	70	33
Proceeds from sale of loans held for sale	7,581	3,965
Origination of loans held for sale	(2,350)	(3,114)
Net losses on sales of loans	-	50
Net gain on sale of other real estate owned	(710)	(50)
Net security losses (gains)	(65)	433
Proceeds from sale of trading securities	158	-
Purchases of trading securities	(60)	(166)
Writedown of nonmarketable equity securities	620	-
Gain on sale of a branch, net		(220)
Purchase of Bank Owned Life Insurance	(30,000)	-
Net (increase) decrease in other assets	(3,792)	3,367
Net increase (decrease) in other liabilities	13,160	(6,245)
Net cash provided by operating activities	17,138	27,517
INVESTING ACTIVITIES:		
Net cash and cash equivalents provided by acquisitions	10,594	-
Net cash paid in conjunction with branch sale	-	(29,171)
Securities available for sale:		
Proceeds from maturities	227,529	141,582
Proceeds from sales	177,526	156,799
Purchases	(390,249)	(368,278)
Securities held to maturity:		
Proceeds from maturities	29,473	30,000
Purchases	(39,446)	(17,330)
Purchases of FRB and FHLB stock	(5,476)	(1,588)
Net increase in loans	(148,341)	(6,821)
Purchase of premises and equipment, net	(3,275)	(3,390)
Proceeds from sales of other real estate owned	2,434	811
Net cash used in investing activities	(139,231)	(97,386)
FINANCING ACTIVITIES:		
Net increase (decrease) in deposits	29,845	(13,708)
Net increase in short-term borrowings	106,380	890
Proceeds from issuance of long-term debt	125,000	80,000
Repayments of long-term debt	(100,346)	(1,602)
Proceeds from issuance of treasury shares to employee benefit plans and other stock plans, including tax benefit	1,521	1,170
Purchase of treasury stock	(6,489)	(1,171)
Cash dividends	(11,050)	(11,261)
Net cash provided by financing activities	144,861	54,318
Net increase (decrease) in cash and cash equivalents	22,768	(15,551)
Cash and cash equivalents at beginning of period	124,623	129,957
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 147,391	$ 114,406

(Continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED

Supplemental disclosure of cash flow information:	Six months Ended June 30, 2003	2002
Cash paid during the period for:		
Interest	$ 33,819	$ 44,898
Income taxes	6,100	6,896
Loans transferred to OREO	$ 1,122	$ 1,277
BRANCH DIVESTITURE:		
Assets sold	-	$ 3,323
Liabilities sold	-	34,263
ACQUISITIONS:		
Fair value of assets acquired	$ 1,155	-
Fair value of liabilities assumed	13,311	-

See notes to unaudited interim consolidated financial statements.

NBT Bancorp Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands & unaudited)

	Three months ended June 30, 2003	Three months ended June 30, 2002	Six months ended June 30, 2003	Six months ended June 30, 2002
Net Income	$ 11,808	$ 11,266	$ 23,374	$ 22,343
Other comprehensive (loss) income, net of tax				
Unrealized holding (losses) gains arising during period [pre-tax amounts of ($488), $16,103, ($2,831) and $8,369]	(293)	9,662	(1,702)	5,037
Minimum Pension Liability Adjustment			(217)	
Less: Reclassification adjustment for net losses included in net income [pre-tax amounts of ($38), ($70), $(65) and $425]	(23)	(42)	(39)	256
Total other comprehensive (loss) income	(316)	9,620	(1,958)	5,293
Comprehensive income	$ 11,492	$ 20,886	$ 21,416	$ 27,636

See notes to unaudited interim consolidated financial statements.

NBT BANCORP INC. AND SUBSIDIARY
NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2003

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

NOTE 2. USE OF ESTIMATES

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

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

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

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

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

Income taxes are accounted for under the asset and liability method. The Company files a consolidated tax return on the accrual basis. Deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

NOTE 3. COMMITMENTS AND CONTINGENCIES

The Company is a party to financial instruments in the normal course of business to meet financing needs of its customers and to reduce its own exposure to fluctuating interest rates. These financial instruments include commitments to extend credit, unused lines of credit, and standby letters of credit. Exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to make loans and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policy to make such commitments as it uses for on-balance-sheet items. At June 30, 2003 and December 31, 2002, commitments to extend credit and unused lines of credit totaled $457.9 million and $409.1 million. Since commitments to extend credit and unused lines of credit may expire without being fully drawn upon, this amount does not necessarily represent future cash commitments. Collateral obtained upon exercise of the commitment is determined using management's credit evaluation of the borrower and may include accounts receivable, inventory, property, land and other items.

The Company guarantees the obligations or performance of customers by issuing stand-by letters of credit to third parties. These stand-by letters of credit are frequently issued in support of third party debt, such as corporate debt issuances, industrial revenue bonds, and municipal securities. The risk involved in issuing stand-by letters of credit is essentially the same as the credit risk involved in extending loan facilities to customers, and they are subject to the same credit origination, portfolio maintenance and management procedures in effect to monitor other credit and off-balance sheet products. Typically, these instruments have terms of five years or less and expire unused; therefore, the total amounts do not necessarily represent future cash requirements. Standby letters of credit totaled $25.6 million at June 30, 2003, $24.7 million at December 31, 2002. The fair value of the liability associated with the standby letters of credit was not material at June 30, 2003.

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,	2003	2002
(in thousands, except per share data)		
Basic EPS:		
Weighted average common shares outstanding	32,653	33,157
Net income available to common shareholders	$11,808	$11,266
Basic EPS	$ 0.36	$ 0.34
Diluted EPS:		
Weighted average common shares outstanding	32,653	33,157
Dilutive effect of common stock options and restricted stock	282	245
Weighted average common shares and common share equivalents	32,935	33,402
Net income available to common shareholders	$11,808	$11,266
Diluted EPS	$ 0.36	$ 0.34

Six months ended June 30,	2003	2002
(in thousands, except per share data)		
Basic EPS:		
Weighted average common shares outstanding	32,443	33,125
Net income available to common shareholders	$23,374	$22,343
Basic EPS	$ 0.72	$ 0.67
Diluted EPS:		
Weighted average common shares outstanding	32,443	33,125
Dilutive effect of common stock options and restricted stock	275	223
Weighted average common shares and common share equivalents	32,718	33,348
Net income available to common shareholders	$23,374	$22,343
Diluted EPS	$ 0.71	$ 0.67

There were 202,970 outstanding stock options for the quarter ended June 30, 2003 and 401,397 outstanding stock options for the quarter ended June 30, 2002 that were not considered in the calculation of diluted earnings per share since the stock options' exercise price was greater than the average market price during these periods. There were 368,022 outstanding stock options for the six month period ended June 30, 2003 and 927,943 outstanding stock options for the six month period ended June 30, 2002 that were not considered in the calculation of diluted earnings per share since the stock options' exercise price was greater than the average market price during these periods.

NOTE 5. STOCK-BASED COMPENSATION

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

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

	THREE MONTHS ENDED JUNE 30,	
	2003	2002
Net income, as reported	$ 11,808	$ 11,266
Add:Stock-based compensation expense included in reported net income, net of related tax effects	19	20
Less:Stock-based compensation expense determined under fair value method for all awards, net of related tax effects	(268)	(257)
Pro forma net income	$ 11,559	$ 11,029
Net income per share:		
Basic - as reported	$ 0.36	$ 0.34
Basic - Pro forma	$ 0.36	$ 0.33
Diluted - as reported	$ 0.36	$ 0.34
Diluted - Pro forma	$ 0.35	$ 0.33

	SIX MONTHS ENDED JUNE 30,	
	2003	2002
Net income, as reported	$ 23,374	$ 22,343
Add: Stock-based compensation expense included in reported net income, net of related tax effects	42	20
Less: Stock-based compensation expense determined under fair value method for all awards, net of related tax effects	(531)	(484)
Pro forma net income	$ 22,885	$ 21,8799
Net income per share:		
Basic - as reported	$ 0.72	$ 0.67
Basic - Pro forma	$ 0.71	$ 0.66
Diluted - as reported	$ 0.71	$ 0.67
Diluted - Pro forma	$ 0.70	$ 0.66

The Company granted 366,932 stock options during the six months ended June 30, 2003 with a weighted average exercise price of $17.53 per share compared to 482,670 stock options granted during the six months ended June 30, 2002 with a weighted average exercise price of $14.35 per share. The per share weighted average fair value of the stock options granted for the six months ended June 30, 2003 and 2002 was $3.92 and $2.24. The assumptions used for the grants noted above were as follows:

	SIX MONTHS ENDED JUNE 30, 2003	SIX MONTHS ENDED JUNE 30, 2002
DIVIDEND YIELD	3.73% - 3.97%	4.07%
EXPECTED VOLATILITY	31.35% - 31.38%	19.13%
RISK -FREE INTEREST RATE	2.98% - 3.36%	4.64% - 4.74%
EXPECTED LIFE	7 years	7 years

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

NOTE 6. GOODWILL AND INTANGIBLE ASSETS

A summary of goodwill by operating subsidiaries follows:

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

(In thousands)	JANUARY 1, 2003	GOODWILL ACQUIRED	JUNE 30, 2003
NBT Bank, N.A.	$ 43,120	$ 1,437	$ 44,557
NBT Financial Services, Inc.	3,001	-	3,001
Total	$ 46,121	$ 1,437	$ 47,558

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

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

A summary of core deposit and other intangible assets follows:

	JUNE 30, 2003	JUNE 30, 2002
(in thousands)		
Core deposit intangibles:		
Gross carrying amount	$5,558	$5,433
Less: accumulated amortization	4,221	3,614
Net Carrying amount	1,337	1,819
Other intangibles:		
Gross carrying amount	1,031	1,031
Less: accumulated amortization	313	261
Net Carrying amount	718	770
Other intangibles not subject to amortization: Pension Asset	551	-
Total intangibles with definite useful lives:		
Gross carrying amount	7,140	6,464
Less: accumulated amortization	4,534	3,875
Net Carrying amount	$2,606	$2,589

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

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

On June 14, 1999, the CNB Financial Corp. ("CNBF") who was acquired by the Company on November 8, 2001 established CNBF Capital Trust I (the Trust), which is a statutory business trust. The Trust exists for the exclusive purpose of issuing and selling 30 year guaranteed preferred beneficial interests in the Company's junior subordinated debentures (capital securities). On August 4, 1999, the Trust issued $18.0 million in capital securities at 3-month LIBOR plus 275 basis points, which equaled 8.12% at issuance. The rate on the capital securities resets quarterly, equal to the 3-month LIBOR plus 275 basis points (4.04% and 4.66% for the June 30, 2003 and 2002 quarterly payments, respectively). The capital securities are the sole asset of the Trust. The obligations of the Trust are guaranteed by the Company. Capital securities totaling $1.0 million were issued to the Company. These capital securities were retired upon the merger of the Company and CNBF. The net proceeds from the sale of the capital securities were used for general corporate purposes and to provide a capital contribution of $15.0 million to CNB Bank, which was merged into NBT Bank. The capital securities, with associated expense that is tax deductible, qualify as Tier I capital under regulatory definitions, subject to certain restrictions. The Bancorp's primary source of funds to pay interest on the debentures owed to the Trust are current dividends from the NBT Bank. Accordingly, the Company's ability to service the debentures is dependent upon the continued ability of NBT Bank to pay dividends. At June 30, 2003, the capital securities are not classified as debt for financial statement purposes and therefore the expense associated with the capital securities is recorded as noninterest expense in the consolidated statements of income. However, as discussed in Note 8 below, commencing July 1, 2003, the Company's interest in the securities will be classified as a liability and interest costs associated with such securities will be classified as interest expense.

NOTE 8. NEW ACCOUNTING PRONOUNCEMENTS

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

The FASB issued SFAS 149, "Amendment of Statement No. 133 on Derivative Instruments and Hedging Activities". The statement is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships

designated after June 30, 2003. This statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contacts and for hedging activities. This statement amends SFAS No. 133 for decisions made as part of the Derivatives Implementation Group process that effectively required amendments to Statement 133, in connection with other Board projects dealing with financial instruments and in connection with implementation issues raised in relation to the application of the definition of a derivative. The adoption of this Statement is not expected to have a significant impact on the Company's consolidated financial statements.

The FASB issued SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, the Company's third quarter of 2003. This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability. Many of those instruments were previously classified as equity. As noted previously in note 7, the Company has $17.0 million in guaranteed preferred beneficial interests in the Company's junior subordinated debentures at June 30, 2003. Upon adoption of FAS 150 in the third quarter of 2003, the $17.0 million in guaranteed preferred beneficial interests in the Company's junior subordinated debentures will be a classified as a liability, as a component of long-term debt. Additionally, for the 2003 fiscal year, the interest cost associated with these junior subordinated debentures ($0.4 million for the six months ended June 30, 2003) will be reclassified from noninterest income to interest expense.

FIN No. 46 "Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51". FIN 46 establishes accounting guidance for consolidation of variable interest entities (VIE) that function to support the activities of the primary beneficiary. The primary beneficiary of a VIE entity is the entity that absorbs a majority of the VIE's expected losses, receives a majority of the VIE's expected residual returns, or both, as a result of ownership, controlling interest, contractual relationship or other business relationship with a VIE. Prior to the implementation of FIN 46, VIEs were generally consolidated by an enterprise when the enterprise had a controlling financial interest through ownership of a majority of voting interest in the entity. The provisions of FIN 46 were effective immediately for all arrangements entered into after January 31, 2003, and are otherwise effective at the beginning of the first interim period beginning after June 15, 2003.

The Company adopted FIN 46 on July 1, 2003. In its current form, FIN 46 may require the Company to deconsolidate its investment in the Trust in future financial statements. It is currently unknown if, or when, the Financial Accounting Standards Board will address this issue. In July 2003, the Board of Governors of the Federal Reserve System issued a supervisory letter instructing bank holding companies to continue to include the trust preferred securities in their Tier I capital for regulatory capital purposes until notice is given to the contrary. The Federal Reserve intends to review the regulatory implications of any accounting treatment changes and, if necessary or warranted, provide further appropriate guidance. There can be no assurance that the Federal Reserve will continue to allow institutions to include trust preferred securities in Tier I capital for regulatory capital purposes. As of June 30, 2003, assuming the Company was not allowed to include the $17.0 million in trust preferred securities issued by the Trust in Tier I capital, the Company would still exceed the regulatory required minimums for capital adequacy purposes.

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 2002 Form 10-K for an understanding of the following discussion and analysis.

FORWARD LOOKING STATEMENTS

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

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

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

CRITICAL ACCOUNTING POLICIES

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

OVERVIEW

The Company earned net income of $11.8 million ($0.36 diluted earnings per share) for the three months ended June 30, 2003 compared to net income of $11.3 million ($0.34 diluted earnings per share) for the three months ended June 30, 2002. The quarter to quarter increase in net income from 2002 to 2003 was primarily the result of an increase in total noninterest income of $1.1 million and a $0.7 million decrease in the provision for loan and lease losses offset by a decrease in net interest income of $1.6 million. The increase in noninterest income was driven primarily by increases in services charges on deposit accounts of $0.5 million, trust income of $0.3 million and broker/dealer and insurance revenue of $0.3 million. The decline in the provision for loan and lease losses reflects lower net charge-offs for the three months ended June 30, 2003 compared to the same period in 2002 as well as a decrease in nonperforming loans. The decline in net interest income resulted primarily from a decline in the Company's net interest margin from 4.46% for the three months ended June 30, 2002 to 4.18% for the same period in 2003.

The Company earned net income of $23.4 million ($0.71 diluted earnings per share) for the six months ended June 30, 2003 compared to net income of $22.3 million ($0.67 diluted earnings per share) for the six months ended June 30, 2002. The increase in net income from 2002 to 2003 was primarily the result of an increase in total noninterest income of $2.5 million and a $0.8 million decrease in the provision for loan and lease losses offset by a decrease in net interest income of $1.9 million and an increase in total noninterest expense of $0.5 million. The increase in noninterest income was driven primarily by increases in services charges and deposit accounts of $1.1 million, other income of $0.5 million, and trust income of $0.4 million, as well as a $0.1 million net gain on securities transactions for the six months ended June 30, 2003 compared to $0.4 million in net losses on securities transactions for the same period in 2002. The decline in the provision for loan and lease losses reflects lower net charge-offs for the six months ended June 30, 2003 compared to the same period in 2002 as well as a decrease in nonperforming loans. The decline in net

interest income resulted primarily from a decline in the Company's net interest margin from 4.51% for the six months ended June 30, 2002 to 4.29% for the same period in 2003. The increase in total noninterest expense resulted primarily from increases in other operating expense of $1.7 million and occupancy expense of $0.4 million offset by declines in loan collection and other real estate owned costs of $0.9 million and professional fees and outside services of $0.9 million.

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

TABLE 1
PERFORMANCE MEASUREMENTS

	First Quarter	SECOND QUARTER	SIX MONTHS
2003			
Return on average assets (ROAA)	1.27%	1.25%	1.26%
Return on average equity (ROAE)	16.05%	16.07%	16.08%
Net interest margin	4.38%	4.18%	4.29%
2002			
ROAA	1.25%	1.24%	1.25%
ROAE	16.62%	16.50%	16.54%
Net interest margin	4.54%	4.48%	4.51%

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, 2003			2002		
(dollars in thousands)	AVERAGE BALANCE	INTEREST	YIELD/ RATES	Average Balance	Interest	Yield/ Rates
ASSETS						
Short-term interest bearing accounts	$ 4,122	$ 17	1.65%	$ 11,806	$ 89	3.02%
Trading securities	209	1	1.92%	205	2	3.91%
Securities available for sale (2)	975,929	11,483	4.72%	964,555	15,197	6.32%
Securities held to maturity (2)	86,400	1,164	5.40%	98,040	1,475	6.03%
Investment in FRB and FHLB Banks	23,987	314	5.25%	20,965	226	4.32%
Loans and leases (1)	2,417,364	39,732	6.59%	2,317,838	41,576	7.19%
Total interest earning assets	3,508,011	52,711	6.03%	3,413,409	58,565	6.88%
Other assets	265,449			230,110		
TOTAL ASSETS	$3,773,460			$3,643,519		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Money market deposit accounts	$ 343,941	1,126	1.31%	$ 271,762	1,086	1.60%
NOW deposit accounts	395,978	636	0.64%	386,248	914	0.95%
Savings deposits	518,189	1,236	0.96%	479,811	1,809	1.51%
Time deposits	1,221,528	9,042	2.97%	1,357,057	12,456	3.68%
Total interest bearing deposits	2,479,636	12,040	1.95%	2,494,878	16,265	2.61%
Short-term borrowings	122,794	370	1.21%	75,672	287	1.52%
Long-term debt	358,119	3,691	4.13%	329,375	3,856	4.70%
Total interest bearing liabilities	2,960,549	16,101	2.18%	2,899,925	20,408	2.82%
Demand deposits	448,597			412,729		
Other liabilities (3)	69,655			57,003		
Stockholders' equity	294,659			273,862		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$3,773,460			$3,643,519		
NET INTEREST INCOME (FTE BASIS)		36,610			38,157	
INTEREST RATE SPREAD			3.85%			4.06%
NET INTEREST MARGIN			4.18%			4.48%
Taxable equivalent adjustment		1,118			1,075	
NET INTEREST INCOME		$ 35,492			$ 37,082	

(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)	2003 AVERAGE BALANCE	2003 INTEREST	2003 YIELD/ RATES	2002 Average Balance	2002 Interest	2002 Yield/ Rates
	Six months ended June 30,					
ASSETS						
Short-term interest bearing accounts	$ 4,554	$ 41	1.82%	$ 12,674	$ 193	3.07%
Trading securities	202	3	3.00%	166	4	4.86%
Securities available for sale (2)	976,909	23,900	4.94%	926,713	29,366	6.39%
Securities held to maturity (2)	83,388	2,347	5.69%	100,670	3,040	6.09%
Investment in FRB and FHLB Banks	23,736	614	5.23%	21,004	402	3.86%
Loans and leases (1)	2,386,173	79,536	6.73%	2,319,971	83,978	7.30%
Total interest earning assets	3,474,962	106,441	6.19%	3,381,198	116,983	6.98%
Other assets	260,749			232,084		
TOTAL ASSETS	$3,735,711			$3,613,282		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Money market deposit accounts	$ 333,536	2,236	1.35%	$ 272,602	2,121	1.57%
NOW deposit accounts	395,306	1,327	0.68%	382,498	1,828	0.96%
Savings deposits	506,863	2,466	0.98%	469,895	3,542	1.52%
Time deposits	1,241,778	18,623	3.03%	1,352,431	25,765	3.84%
Total interest bearing deposits	2,477,483	24,652	2.01%	2,477,426	33,256	2.71%
Short-term borrowings	110,713	659	1.20%	81,136	635	1.58%
Long-term debt	351,931	7,396	4.25%	318,935	7,494	4.74%
Total interest bearing liabilities	2,940,127	32,707	2.25%	2,877,497	41,385	2.91%
Demand deposits	439,398			409,086		
Other liabilities (3)	62,579			54,209		
Stockholders' equity	293,607			272,490		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$3,735,711			$3,613,282		
NET INTEREST INCOME (FTE BASIS)		73,734			75,598	
INTEREST RATE SPREAD			3.94%			4.08%
NET INTEREST MARGIN			4.29%			4.51%
TAXABLE EQUIVALENT ADJUSTMENT		2,213		2,171		
NET INTEREST INCOME		$ 71,521		$ 73,427		

(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) 2003 OVER 2002		
(in thousands)	VOLUME	RATE	TOTAL
Short-term interest bearing accounts	$ (42)	$ (30)	$ (72)
Trading securities	-	(1)	(1)
Securities available for sale	177	(3,891)	(3,714)
Securities held to maturity	(165)	(146)	(311)
Investment in FRB and FHLB Banks	35	53	88
Loans and leases	1,735	(3,579)	(1,844)
Total interest income	1,586	(7,440)	(5,854)
Money market deposit accounts	257	(217)	40
NOW deposit accounts	22	(300)	(278)
Savings deposits	135	(708)	(573)
Time deposits	(1,162)	(2,252)	(3,414)
Short-term borrowings	151	(68)	83
Long-term debt	320	(485)	(165)
Total interest expense	418	(4,725)	(4,307)
CHANGE IN FTE NET INTEREST INCOME	$ 1,168	$ (2,715)	$ (1,547)

Six months ended June 30,

	INCREASE (DECREASE) 2003 OVER 2002		
(in thousands)	VOLUME	RATE	TOTAL
Short-term interest bearing accounts	$ (93)	$ (59)	$ (152)
Trading securities	1	(2)	(1)
Securities available for sale	1,521	(6,987)	(5,466)
Securities held to maturity	(496)	(197)	(693)
Investment in FRB and FHLB Banks	57	155	212
Loans and leases	2,346	(6,788)	(4,442)
Total interest income	3,172	(13,714)	(10,542)
Money market deposit accounts	434	(319)	115
NOW deposit accounts	59	(560)	(501)
Savings deposits	261	(1,337)	(1,076)
Time deposits	(1,983)	(5,159)	(7,142)
Short-term borrowings	198	(174)	24
Long-term debt	735	(833)	(98)
Total interest expense	883	(9,561)	(8,678)
CHANGE IN FTE NET INTEREST INCOME	$ 2,289	$ (4,153)	$ (1,864)

RESULTS OF OPERATIONS

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

Net Interest Income

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

Federal taxable equivalent (FTE) net interest income decreased $1.5 million during the three months ended June 30, 2003 compared to the same period of 2002. The decrease in FTE net interest income resulted primarily from interest earning assets repricing downward at a faster rate than interest-bearing liabilities. The yield on average earning assets decreased 85 basis points ("bp"), to 6.03% for the three months ended June 30, 2003, from 6.88% for the same period in 2002. Meanwhile, the rate paid on average interest-bearing liabilities decreased 64 bp, to 2.18% for the three months ended June 30, 2003, from 2.82% for the same period in 2002.

Total FTE interest income for the three months ended June 30, 2003 decreased $5.9 million compared to the same period in 2002, a result of the previously mentioned decrease in yield on earning assets. The decrease in the yield on average earning assets can be primarily attributed to the low rate environment prevalent for the last several quarters. During the same time period, total interest expense decreased $4.3 million, primarily the result of the low rate environment mentioned above, as well as an improvement in the mix of the Company's interest-bearing liabilities. Time deposits, the most significant component of interest-bearing liabilities, decreased to 41.3% of interest-bearing liabilities for the three months ended June 30, 2003 from 46.8% for the same period in 2002. Offsetting this change in the interest-bearing liabilities mix, was an increase in lower cost NOW, MMDA, and savings deposits, to 42.5% of interest-bearing liabilities for the three months ended June30, 2003 from 39.2% for the same period in 2002. Total borrowings increased to 16.2% of total average interest-bearing liabilities for the three months ended June 30, 2003 from 14.0% for the same period in 2002.

Another important performance measurement of net interest income is the net interest margin. Net interest margin decreased to 4.18% for the three months ended June 30, 2003, down from 4.48% for the comparable period in 2002. The decrease in the net interest margin can be primarily attributed to the previously mentioned decrease in the interest rate spread driven by the decrease in yield on earning assets exceeding the decrease in the cost of interest-bearing liabilities.

Noninterest Income

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

(in thousands)	THREE MONTHS ENDED JUNE 30, 2003	2002
Service charges on deposit accounts	$ 3,764	$ 3,239
Broker/dealer and insurance fees	1,750	1,483
Trust	1,116	804
Other	2,271	2,207
Net securities gains	38	69
Total	$ 8,939	$ 7,802

Noninterest income for the quarter ended June 30, 2003 was $8.9 million, up $1.1 million or 15% from $7.8 million for the same period in 2002. Service charges on deposit accounts for the quarter ended June 30, 2003 increased $0.5 million or 16% over the same period in 2002. The increase in service charges on deposit accounts resulted primarily from higher fees collected for insufficient funds on deposit accounts. The increase in fees for insufficient funds was driven primarily by the combination of continued growth in core deposit products as well as several pricing adjustments implemented during 2002. Revenue from trust services increased $0.3 million or 39% for the quarter ended June 30, 2003 over the same period in 2002, due in part to an increase in estate management services. Broker/dealer and insurance revenue increased $0.3 million or 18% for the quarter ended June 30, 2003 over the same period in 2002, due primarily to the Company's initiative in delivering financial service related products through its 110-branch network, which was implemented at the end of 2002.

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, 2003	2002
Salaries and employee benefits	$ 12,060	$ 12,497
Occupancy	2,182	2,096
Equipment	1,944	1,818
Data processing and communications	2,720	2,598
Professional fees and outside services	1,240	1,782
Office supplies and postage	1,011	1,227
Capital securities	179	230
Amortization of intangible assets	155	208
Loan collection and other real estate owned	476	748
Other	3,881	2,858
Total noninterest expense	$ 25,848	$ 26,062

Noninterest expense for the quarter ended June 30, 2003 was $25.8 million, down $0.2 million or 1% from $26.1 million for the same period in 2002. The reduction in noninterest expense resulted from decreases in several line items and was partially offset by an increase in other operating expense. Professional fees and outside services decreased $0.5 million due to lower legal fees. Loan collection and other real estate owned ("OREO") expense decreased $0.3 million, due to a decrease in nonperforming loans and gains on the sale of OREO. Other operating expense increased $1.0 million, due mainly to charges of $0.3 million for the writedown of venture capital investments in the quarter ended June 30, 2003.

Income Taxes

Income tax expense for the three months ended June 30, 2003 was $5.4 million for an effective tax rate of 31.2%, compared to $5.5 million, or 32.7%, for the same period in 2002. The lower effective tax rate in the 2003 period resulted primarily from an increase in tax exempt income when compared to the same period in 2002.

SIX MONTHS ENDED JUNE 30, 2003 COMPARED TO SIX MONTHS ENDED JUNE 30, 2002

Net Interest Income

Net interest income on a federal taxable equivalent basis (FTE) decreased $1.9 million to $73.7 million for 2003 compared to $75.6 million for 2002. The net interest margin declined 22 bp from 4.51% to 4.29%. The decrease in FTE net interest income resulted primarily from earning assets re-pricing downward at a faster rate than interest-bearing liabilities. The yield on earning assets decreased 79 bp, to 6.19% for 2003, from 6.98% for 2002. Meanwhile, the rate paid on interest-bearing liabilities decreased 66 bp, to 2.25% for 2003, from 2.91% for 2002.

Total FTE interest income for 2003 decreased $10.5 million compared to 2002, a result of the previously mentioned decrease in yield on earning assets. During the same time period, total interest expense decreased $8.7 million, primarily the result of the low rate environment mentioned above, as well as an improvement in the mix of the Company's interest-bearing liabilities. Time deposits, the most significant component of interest-bearing liabilities, decreased to 42.2% of interest-bearing liabilities for 2003 from 47.0% for 2002. Offsetting this change in the interest-bearing liabilities mix, was an increase in lower cost NOW, MMDA, and savings deposits, to 42% of interest-bearing liabilities for 2003 from 39.1% for 2002. Total borrowings increased to 15.7% of interest-bearing liabilities for 2003 from 13.9% for 2002.

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

(in thousands)	SIX MONTHS ENDED JUNE 30, 2003	2002
Service charges on deposit accounts	$ 7,367	$ 6,289
Broker/dealer and insurance fees	3,142	2,978
Trust	2,008	1,623
Other	5,085	4,536
Gain on sale of a branch, net	-	220
Bank owned life insurance income	14	-
Net securities (losses) gains	65	(433)
Total	$ 17,681	$ 15,213

Noninterest income for the six months ended June 30, 2003 was $17.7 million, up $2.5 million or 16% from $15.2 million for the same period in 2002. Service charges on deposit accounts for the six months ended June 30, 2003 increased $1.1 million or 17% over the same period in 2002. The increase in service charges on deposit accounts resulted primarily from higher fees collected for insufficient funds on deposit accounts and continued growth from core deposits. Other income for the six months ended June 30, 2003 increased $0.5 million or 12% over the same period in 2002. The increase in other income was driven primarily by strong growth in ATM fees. Securities transactions resulted in a $0.1 million net gain for the six months ended June 30, 2003 and a $0.4 million net loss resulting from a write-down of an impaired security for the same period in 2002. Revenue from trust services increased $0.4 million or 24% for the six months ended June 30, 2003 over the same period in 2002, due in part to higher fees collected for estate management services as well as an increase in assets under management resulting from improved stock market conditions and an increase in managed trust accounts.

Noninterest Expense

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

(in thousands)	SIX MONTHS ENDED JUNE 30, 2003	2002
Salaries and employee benefits	$ 24,719	$ 24,871
Occupancy	4,708	4,265
Equipment	3,710	3,532
Data processing and communications	5,441	5,163
Professional fees and outside services	2,542	3,397
Office supplies and postage	2,084	2,124
Capital securities	370	446
Amortization of intangible assets	317	433
Loan collection and other real estate owned	756	1,675
Other	7,093	5,368
Total noninterest expense	$ 51,740	$ 51,274

Noninterest expense for the six months ended June 30, 2003 was $51.7 million, up $0.5 million or 1% from $51.3 million for the same period in 2002. The increase in noninterest expense was due primarily to increases in other operating expense and occupancy expense partially offset by decreases in loan collection and OREO expenses and professional fees and outside services. Other operating expense increased $1.7 million, primarily from a $0.6 million charge for the writedown of venture capital investments. Loan collection and OREO expenses decreased $0.9 million from gains on the sale of OREO and a decrease in nonperforming loans. Professional fees and outside services decreased $0.9 million primarily from a $0.4 million charge related to an adverse judgement against the Company in 2002 as well as legal fees incurred during 2002 for the recovery of deposit overdraft writeoffs.

Income Taxes

Income tax expense for 2003 was $10.7 million for an effective tax rate of 31.5%, compared to $10.9 million, or 32.8%, for 2002. The lower tax rate in the 2003 period resulted primarily from an increase in tax exempt income when compared to the same period in 2002.

ANALYSIS OF FINANCIAL CONDITION

Loans and Leases

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

(in thousands)	June 30, 2003	December 31, 2002	June 30, 2002
Commercial and commercial mortgages*	$1,116,892	$ 1,057,815	$1,059,046
Residential real estate mortgages	642,227	610,256	612,018
Consumer	674,490	626,767	597,703
Leases	62,776	61,094	67,274
Total loans and leases	$2,496,385	$ 2,355,932	$2,336,041

*Includes agricultural loans

Total loans and leases were $2.5 billion, or 63.7% of assets, at June 30, 2003, compared to $2.4 billion, or 63.3%, at December 31, 2002, and $2.3 billion, or 63.5%, at June 30, 2002. Total loans and leases increased $140.5 million at June 30, 2003 when compared to December 31, 2002. The increase in total loans and leases during the year resulted mainly from consumer loans, which increased $47.7 million from December 31, 2002, or 7.6%. The increase in consumer loans was due primarily to the Company's home equity products, which were well received by our customers during the first half of 2003. Additionally, commercial loans and commercial mortgages increased $59.1 million, from December 31, 2002, or 5.6%. The increase in commercial loans and commercial mortgages resulted from continued growth within existing markets combined with an expanded presence in newer markets now served by the Company.

Securities
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Average total securities increased $32.9 million for the six months ended June 30, 2003 when compared to the same period in 2002. The average balance of securities available for sale increased $50.2 million for the six months ended June 30, 2003 when compared to the same period in 2002. The average balance of securities held to maturity decreased $17.3 million for the six months ended June 30, 2003, when compared to the same period in 2002. The net increase in securities resulted from modest leveraging of the balance sheet. The average total securities portfolio represented 28.4% of total average earning assets for the six months ended June 30, 2003 and 2002.

At June 30, 2003, approximately 66.8% of the Company's investment securities were comprised of either mortgage-backed securities ("MBS") or collateralized mortgage obligations ("CMO") compared to 69.9% at June 30, 2002. During the period between June 30, 2002 and June 30, 2003, the Company's MBS and CMO experienced increases in prepayments resulting from the low interest rate environment. As the Company received the cash flows due to accelerated prepayments from MBS and CMO, the Company reinvested these funds primarily into short-term MBS, which generally contain a stated maturity of 10/15 years and a expected duration ranging from 3 to 5 years as opposed to 20/30 year MBS which exhibit an expected duration ranging from 5 to 7 years. As such, the Company is positioned to take advantage of deploying funds in a rising rate environment, as sufficient cash flow should be generated by 10/15-year MBS securities. At June 30, 2003, approximately 69.6% of MBS and CMO were comprised of 10/15-year MBS as compared to 46.0% at June 30, 2002.

There is one security with an other-than-temporary impairment charge at June 30, 2003 and 2002, which had a remaining carrying value of $0.7 million and $1.6 million, respectively, and is classified as a security available for sale on nonaccrual status. The Company recorded a $0.7 million pre-tax charge during the three months ended March 31, 2002, related to the other-than-temporarily impaired security classified as available for sale. The charge was recorded in net security (losses) gains on the consolidated statements of income.

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

At December 31, 2002, the amortized cost and fair value of these high-risk securities amounted to $12.0 million and $10.7 million, respectively, down from $27.5 million and $26.8 million, respectively, at June 30, 2002. The decrease at December 31, 2002, when compared to June 30, 2002, resulted primarily from sales and to a lesser extent principal paydowns. During 2002, the Company sold $22.4 million of these securities due to both a rapid deterioration in the financial condition of the underlying collateral in 2002 related to a certain number of these securities as well as the Company's goal of reducing exposure to these types of securities in general. The net loss realized from the sale of these securities was $7.4 million. Offsetting these net losses were net gains of $7.3 million, resulting from the sale of approximately $187.0 million in other

securities available for sale during 2002. At June 30, 2003, the Company had no exposure to these high-risk securities, as the remaining $12.0 million at December 31, 2002 were sold during the three months ended March 31, 2003 at a net loss of $3.9 million. Offsetting these net losses, were net gains of $3.9 million from the sale of approximately $157.4 million in other securities available for sale during the first quarter of 2003.

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 the level of the allowance reasonably reflects the loan portfolio's risk profile. It is evaluated to ensure that it is sufficient to absorb all reasonably estimable credit losses inherent in the current loan and lease portfolio.

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

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

After a thorough consideration and validation of the factors discussed above, required additions to the allowance for loan and lease losses are made periodically by charges to the provision for loan and lease losses. These charges are necessary to maintain the allowance at a level which management believes is reasonably reflective of overall inherent risk of probable loss in the portfolio. While management uses available information to recognize losses on loans and leases, additions to the allowance may fluctuate from one reporting period to another. These fluctuations are reflective of changes in risk associated with portfolio content 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, 2003 was 1.64% compared to 1.87% at

June 30, 2002. 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 AND LEASE LOSSES

	Three months ended June 30,				Six months ended June 30,			
(dollars in thousands)	2003		2002		2003		2002	
Balance, beginning of period	$ 41,141		$ 45,299		$ 40,167		$44,746	
Recoveries	1,219		938		2,917		2,300	
Chargeoffs	(2,915)		(4,610)		(5,579)		(7,430)	
Net chargeoffs	(1,696)		(3,672)		(2,662)		(5,130)	
Provision for loan losses	1,413		2,092		3,353		4,103	
Balance, end of period	$ 40,858		$ 43,719		$ 40,858		$43,719	
COMPOSITION OF NET CHARGEOFFS								
Commercial and agricultural	$ (760)	45%	$ (2,420)	66%	$ (850)	32%	$(2,317)	45%
Real estate mortgage	60	(4)%	(151)	4%	78	(3)%	(371)	7%
Consumer	(996)	59%	(1,101)	30%	(1,890)	71%	(2,442)	48%
Net chargeoffs	$ (1,696)	100%	$ (3,672)	100%	$(2,662)	100%	$(5,130)	100%
Annualized net chargeoffs to average loans	0.28%			0.64%	0.23%			0.45%
Net chargeoffs to average loans and leases for the six months ended June 30, 2003				0.11%				

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 $19.9 million at June 30, 2003, compared to $30.5 million at December 31, 2002, and $34.9 million at June 30, 2002. The decrease in nonperforming assets resulted primarily from the Company's focus on reducing nonperforming loans. Nonperforming loans totaled $16.8 million at June 30, 2003, down from the $26.4 million outstanding at December 31, 2002. The $9.6 million decrease in nonperforming loans from December 31, 2002 to June 30, 2003 was due primarily to the Company's successful efforts in selling certain large problematic commercial loans as well as a group of nonperforming real estate mortgages at approximately their book value. Nonaccrual commercial and agricultural loans decreased $5.6 million, from $17.0 million at December 31, 2002, to $11.4 million at June 30, 2003. Nonaccrual

real estate mortgages decreased $4.4 million, from $5.5 million at December 31, 2002, to $1.1 million at June 30, 2003.

In addition to the nonperforming loans discussed above, the Company has also identified approximately $55.3 million in potential problem loans at June 30, 2003 as compared to $48.5 million at December 31, 2002. Potential problem loans are loans that are currently performing, but where known information about possible credit problems of the related borrowers causes management to have serious doubts as to the ability of such borrowers to comply with the present loan repayment terms and which may result in disclosure of such loans as nonperforming at some time in the future. At the Company, potential problem loans are typically loans that are performing but are classified by the Company's loan rating system as "substandard" or lower. At June 30, 2003, potential problem loans primarily consisted of commercial real estate and commercial and agricultural loans. Management cannot predict the extent to which economic conditions may worsen or other factors which may impact borrowers and the potential problem loans. Accordingly, there can be no assurance that other loans will not become 90 days or more past due, be placed on non-accrual, become restructured, or require increased allowance coverage and provision for loan losses.

Net charge-offs totaled $1.7 million for the three months ended June 30, 2003, down $2.0 million from the $3.7 million charged-off during the same period in 2002. The provision for loan and lease losses totaled $1.4 million for the three months ended June 30, 2003, down from the $2.1 million provided during the same period in 2002. Net charge-offs totaled $2.7 million for the six months ended June 30, 2003, down $2.5 million from the $5.1 million charged-off during the same period in 2002. The provision for loan and lease losses totaled $3.4 million for the six months ended June 30, 2003, down from the $4.1 million provided during the same period in 2002. The reduction in the provision for loan and lease losses for the three and six months ended June 30, 2003 when compared to the same periods in 2002, resulted primarily from lower net charge-offs and a decrease in nonperforming loans.

TABLE 5
NONPERFORMING ASSETS

(dollars in thousands)	JUNE 30, 2003	December 31, 2002	June 30, 2002
Commercial and agricultural	$ 11,352	$ 16,980	$ 20,835
Real estate mortgage	1,096	5,522	5,935
Consumer	3,458	1,507	3,757
Total nonaccrual loans	15,906	24,009	30,527
Loans 90 days or more past due and still accruing:			
Commercial and agricultural	-	237	-
Real estate mortgage	133	1,325	14
Consumer	509	414	239
Total loans 90 days or more past due and still accruing	642	1,976	253
Restructured loans in compliance with modified terms:	295	409	530
Total nonperforming loans	16,843	26,394	31,310
Other real estate owned (OREO)	2,280	2,947	2,047
Total nonperforming loans and OREO	19,123	29,341	33,357
Nonperforming securities	735	1,122	1,560
Total nonperforming assets	$ 19,858	$ 30,463	$ 34,917
Total nonperforming loans to loans and leases	0.67%	1.12%	1.34%
Total nonperforming assets to assets	0.51%	0.82%	0.95%
Total allowance for loan and lease losses to nonperforming loans	242.58%	152.18%	139.63%

Deposits

Total deposits were $3.0 billion at June 30, 2003, an increase of $43.2 million, or 1%, from year-end 2002, and an increase of $97.6 million, or 3%, from the same period in the prior year. Total average deposits increased $20.6 million, or 1%, from the three months ended June 30, 2002 to the same period in 2003. The Company experienced a decline in time deposits, as average time deposits declined $135.5 million or 10%, from the three months ended June 30, 2002 to the same period in 2003. Meanwhile, the total of average demand deposits, money market deposits, NOW, and savings increased $156.2 million or 10%, from the three months ended June 30, 2002 to the same period in 2003. The Company has focused on maintaining and growing its base of lower cost checking, savings and money market accounts while allowing runoff of some of its higher cost time deposits, particularly brokered and jumbo time deposits. At June 30, 2003, total checking, savings and money market accounts represented 59.9% of total deposits compared to 53.9% at June 30, 2002.

Borrowings

The Company's borrowed funds consist of short-term borrowings and long-term debt. Short-term borrowings totaled $212.0 million at June 30, 2003 compared to $105.6 million and $122.9 million at December 31, and June 30, 2002, respectively. The increase in short-term borrowings resulted from strong loan growth during the three months ended June 30, 2003 and a reduction in time deposits for the first half of 2003. Long-term debt was $370.1 million at June 30, 2003, compared to $345.5 million and $350.7 million at December 31, and June 30, 2002, respectively.

CAPITAL RESOURCES

Stockholders' equity of $297.9 million represents 7.6% of total assets at June 30, 2003, compared with $282.8 million, or 7.7% at June 30, 2002, and $292.4 million, or 7.9% at December 31, 2002. The Company does not have a target dividend payout ratio, rather the Board of Directors considers the Company's earnings position and earnings potential when making dividend decisions.

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

TABLE 6
CAPITAL MEASUREMENTS

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

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 2.11 at June 30, 2003 and 2.12 a year ago. The per share market price was 13.63 times annualized earnings at June 30, 2003 and 13.49 times annualized earnings at June 30, 2002.

TABLE 7
QUARTERLY COMMON STOCK AND DIVIDEND INFORMATION*

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

STOCK REPURCHASE PLAN

On July 22, 2002, the Company announced that it approved a stock repurchase plan (the "Stock Repurchase Plan") pursuant to which the Company may repurchase up to one million shares (approximately 3%) of its outstanding common stock. Since the announcement of the Stock Repurchase Plan, the Company repurchased a total of 844,946 shares at an average price of $17.54 per share. Total cash allocated for these repurchases during this period was $14.8 million. For the six months ended June 30, 2003, the Company repurchased 369,313 shares at an average price of $17.57 per share.

On April 28, 2003, the Company announced that it approved a program to repurchase up to an additional 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. This program will begin after completion of the previously authorized Stock Repurchase Plan. Currently there are 192,954 shares remaining under the previous Stock Repurchase Plan that will be repurchased prior to the commencement of the new program.

LIQUIDITY AND INTEREST RATE SENSITIVITY MANAGEMENT

MARKET RISK

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

Similarly, when earning assets mature or reprice more quickly than interest-bearing liabilities, falling interest rates could result in a decrease in net interest income.

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

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

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

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

In the declining rate scenario, net interest income is projected to decrease slightly when compared to the forecasted net interest income in the flat rate scenario through the simulation period. The decrease in net interest income is a result of interest-bearing liabilities repricing downward at a slower rate than earning assets. The inability to effectively lower deposit rates will likely reduce or eliminate the benefit of lower interest rates. In the rising rate scenario where the long end of the yield curve remains flat and the short end of the curve increases 200bp gradually, net interest income is also 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 the + 200/+ 200 flat/- 75 bp scenarios, as described above, is within the internal policy risk limits of not more than a 7.5% change in net interest income. The following table summarizes the percentage change in net interest income in the rising and declining rate scenarios over a 12-month period from the forecasted net interest income in the flat rate scenario using the June 30, 2003 balance sheet position:

TABLE 10
INTEREST RATE SENSITIVITY ANALYSIS

CHANGE IN INTEREST RATES (IN BASIS POINTS)	PERCENT CHANGE IN NET INTEREST INCOME
+ 200 FLAT	(0.74%)
+ 200	(0.11)%
- 75	(0.49%)

Currently, the Company is holding fixed rate residential real estate mortgages in its loan portfolio and mortgage related securities in its investment portfolio. Two major factors the Company considers in holding residential real estate mortgages is its level of core deposits and the duration of its mortgage-related securities and loans. Current core deposit levels combined with a shortening of duration of mortgage-related securities and loans have enabled the Company to hold fixed rate residential real estate mortgages without having a significant negative impact on interest rate risk, as the Company is well matched at June 30, 2003. The Company's net interest income is projected to decrease by 0.11% if interest rates gradually rise 200 basis points. The Company's exposure to 30-year fixed rate mortgage related securities and loans have decreased approximately $118.9 million from June 30, 2002 to June 30, 2003. From December 31, 2002, we have reduced our exposure to 30-year fixed rate mortgage related securities and loans by $36.6 million. Approximately 12.5% of earning assets were comprised of 30-year fixed rate mortgage related securities and loans at June 30, 2003, down from a ratio of 16.5% at June 30, 2002. The Company closely monitors its matching of earning assets to funding sources. If core deposit levels decrease or the rate of growth in core deposit levels does not equal or exceed the rate in growth of 30-year fixed rate real estate mortgage related securities or loans, the Company will reevaluate its strategy and may sell new originations of fixed rate mortgages in the secondary market or may sell certain mortgage related securities in order to limit the Company's exposure to long-term earning assets.

LIQUIDITY RISK

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

The primary liquidity measurement the Company utilizes is called the Basic Surplus which captures the adequacy of its access to reliable sources of cash relative to the stability of its funding mix of average liabilities. This approach recognizes the importance of balancing levels of cash flow liquidity from short- and long-term securities with the availability of dependable borrowing sources which can be accessed when necessary. At June 30, 2003, the Company's Basic Surplus measurement was 10.3% of total assets or $405 million, which was above the Company's minimum of 5% or $196 million set forth in its liquidity policies.

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

The Company's primary source of funds is from its subsidiary, NBT Bank. Certain restrictions exist regarding the ability of the Company's subsidiary bank to transfer funds to the Company in the form of cash dividends. The approval of the Office of Comptroller of the Currency (OCC) is required to pay dividends when a bank fails to meet certain minimum regulatory capital standards or when such dividends are in excess of a subsidiary bank's earnings retained in the current year plus retained net profits for the preceding two years (as defined in the regulations). At June 30, 2003, approximately $16.3 million of the total stockholders' equity of NBT Bank was available for payment of dividends to the Company without approval by the OCC. NBT Bank's ability to pay dividends also is subject to the Bank being in compliance with regulatory capital requirements. NBT Bank is currently in compliance with these requirements. Under the State of Delaware Business Corporation Law, the Company may declare and pay dividends either out of accumulated net retained earnings or capital surplus.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

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

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

PART II. OTHER INFORMATION

Item 1 -- Legal Proceedings

In the normal course of business, there are various outstanding legal proceedings. In the opinion of management, there are no material legal proceedings, other than ordinary routine litigation incidental to business to which the Company is a party or of which any of its 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 1, 2003. Stockholders approved the following proposals:

A proposal to fix the number of directors to sixteen was approved. There were 23,830,934 votes cast for the proposal, 452,383 votes cast against the proposal, and 227,983 abstentions.

The following directors were elected with terms expiring at the annual meeting in 2006:

Michael H. Hutcherson	23,676,766 votes for election, 834,534 votes withheld
Andrew S. Kowalczyk, Jr.	22,032,162 votes for election, 2,479,139 votes withheld
John C. Mitchell	23,552,588 votes for election, 958,713 votes withheld
Michael M. Murphy	23,458,518 votes for election, 1,052,783 votes withheld
Joseph G. Nasser	23,576,438 votes for election, 934,862 votes withheld

Continuing directors with terms expiring in 2004

Richard Chojnowski
Dr. Peter B. Gregory
Paul O. Stillman
Joseph A. Santangelo
Janet H. Ingraham
Paul D. Horger
Patricia T. Civil

Continuing directors with terms expiring in 2005
- Daryl R. Forsythe
- William C. Gumble
- William L. Owens
- Gene E. Goldenziel
- Van Ness D. Robinson

A proposal to adopt the NBT Bancorp Inc. Non-employee Directors' Restricted and Deferred Stock Plan was approved. There were 22,239,245 votes cast for the proposal, 1,853,798 votes cast against the proposal, and 418,253 abstentions.

A proposal to adopt the NBT Bancorp Inc. Performance Share Plan was approved. There were 22,800,033 votes cast for the proposal, 1,230,019 votes cast against the proposal, and 463,247 abstentions.

Item 5 -- Other Information

On July 28, 2003, NBT Bancorp Inc. announced the declaration of a regular quarterly cash dividend of $0.17 per share. The cash dividend will be paid on September 15, 2003 to stockholders of record as of September 1, 2003.

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

(a) Exhibits

99.1 Certification of Principal Executive Officer Pursuant to Rule 13a-15(e) or 15d-15(e) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

99.2 Certification of Principal Financial Officer Pursuant to Rule 13a-15(e) or 15d-15(e) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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

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

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

The Company filed a Current Report on Form 8-K dated April 28, 2003 , which contained a press release announcing financial results for the quarter ended March 31, 2003 and a dividend declaration to be paid on June 15, 2003 to stockholders of record as of June 1, 2003.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report on FORM 10-Q to be signed on its behalf by the undersigned thereunto duly authorized, this 13th day of August 2003.

NBT BANCORP INC.

By: /s/ MICHAEL J. CHEWENS

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

Index to Exhibits

99.1	Certification of Principal Executive Officer Pursuant to Rule 13a-15(e) or 15d-15(e) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
99.2	Certification of Principal Financial Officer Pursuant to Rule 13a-15(e) or 15d-15(e) of the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
99.3	Written Statement of the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.4	Written Statement of the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 99.1

CERTIFICATION

I, Daryl R. Forsythe, certify that:

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

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

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

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

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

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

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

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

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

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

Date: August 13, 2003

By: /s/ Daryl R. Forsythe

Chairman and Chief Executive Officer

Exhibit 99.2

CERTIFICATION

I, Michael J. Chewens, certify that:

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

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

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

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

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

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

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

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

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

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

Date: August 13, 2003

By: /s/ Michael J. Chewens

Senior Executive Vice President,
Chief Financial Officer and
Corporate Secretary

Exhibit 99.3

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

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

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

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

/s/ Daryl R. Forsythe

Daryl R. Forsythe
Chairman and Chief Executive Officer
August 13, 2003

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

Exhibit 99.4

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

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

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

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

/s/ Michael J. Chewens

Michael J. Chewens
Senior Executive Vice President Chief
Financial Officer and Corporate Secretary
August 13, 2003

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