SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 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, 2004.

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 [_]

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, 2004, there were 32,593,477 shares outstanding of the Registrant's common stock, $0.01 par value.

NBT BANCORP INC.
FORM 10-Q--Quarter Ended June 30, 2004

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

(in thousands, except share and per share data)

	JUNE 30, 2004	December 31, 2003	June 30, 2003
ASSETS			
Cash and due from banks	$ 102,705	$ 125,590	$ 143,884
Short-term interest bearing accounts	7,240	2,502	3,576
Securities available for sale, at fair value	980,097	980,961	987,147
Securities held to maturity (fair value - $80,390, $98,576, and $94,339)	79,766	97,204	92,452
Federal Reserve and Federal Home Loan Bank stock	35,994	34,043	29,175
Loans and leases	2,753,625	2,639,976	2,496,385
Less allowance for loan and lease losses	43,482	42,651	40,858
Net loans	2,710,143	2,597,325	2,455,527
Premises and equipment, net	62,008	62,443	61,332
Goodwill	47,521	47,521	47,558
Intangible assets, net	2,189	2,331	2,606
Bank owned life insurance	31,609	30,815	30,014
Other assets	66,102	66,150	64,186
TOTAL ASSETS	$4,125,374	$ 4,046,885	$3,917,457
LIABILITIES, GUARANTEED PREFERRED BENEFICIAL INTERESTS IN COMPANY'S JUNIOR SUBORDINATED DEBENTURES AND STOCKHOLDERS' EQUITY			
Deposits:			
Demand (noninterest bearing)	$ 490,573	$ 500,303	$ 470,422
Savings, NOW, and money market	1,494,278	1,401,825	1,304,304
Time	1,055,758	1,099,223	1,190,470
Total deposits	3,040,609	3,001,351	2,965,196
Short-term borrowings	349,144	302,931	211,981
Trust preferred debentures	18,720	-	-
Long-term debt	369,567	369,700	370,129
Other liabilities	39,659	45,869	55,301
Total liabilities	3,817,699	3,719,851	3,602,607
Guaranteed preferred beneficial interests in Company's junior subordinated debentures	-	17,000	17,000
Stockholders' equity:			
Preferred stock none issued	-	-	-
Common stock, $0.01 par value; shares authorized- 50,000,000; shares issued 34,401,041, 34,401,088, and 34,401,128 at June 30, 2004, December 31, 2003, and June 30, 2003, respectively	344	344	344
Additional paid-in-capital	209,396	209,267	209,769
Retained earnings	133,146	120,016	107,409
Unvested stock awards	(413)	(197)	(260)
Accumulated other comprehensive (loss) income	(2,641)	7,933	14,573
Treasury stock at cost 1,786,211, 1,592,435, and 1,980,290 shares at June 30, 2004, December 31, 2003 and June 30, 2003, respectively	(32,157)	(27,329)	(33,985)
Total stockholders' equity	307,675	310,034	297,850
TOTAL LIABILITIES, GUARANTEED PREFERRED BENEFICIAL INTERESTS IN COMPANY'S JUNIOR SUBORDINATED DEBENTURES AND STOCKHOLDERS' EQUITY	$4,125,374	$ 4,046,885	$3,917,457

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, 2004	Three months ended June 30, 2003	Six months ended June 30, 2004	Six months ended June 30, 2003
Interest, fee and dividend income:				
Interest and fees on loans and leases	$ 39,635	$ 39,540	$ 79,529	$ 79,155
Securities available for sale	10,313	10,864	21,082	22,669
Securities held to maturity	755	857	1,552	1,746
Other	235	332	502	658
Total interest, fee and dividend income	50,938	51,593	102,665	104,228
Interest expense:				
Deposits	9,674	12,040	19,719	24,652
Short-term borrowings	794	370	1,587	659
Long-term debt	3,627	3,691	7,242	7,396
Trust preferred debentures	163	-	343	-
Total interest expense	14,258	16,101	28,891	32,707
Net interest income	36,680	35,492	73,774	71,521
Provision for loan and lease losses	2,428	1,413	4,552	3,353
Net interest income after provision for loan and lease losses	34,252	34,079	69,222	68,168
Noninterest income:				
Trust	1,142	1,116	2,249	2,008
Service charges on deposit accounts	4,090	3,764	8,127	7,367
Broker/dealer and insurance fees	1,783	1,750	3,514	3,142
Net securities gains	29	38	38	65
Bank owned life insurance income	409	14	794	14
Other	2,536	2,257	5,710	5,085
Total noninterest income	9,989	8,939	20,432	17,681
Noninterest expenses:				
Salaries and employee benefits	12,542	12,060	26,655	24,719
Office supplies and postage	1,143	1,011	2,174	2,084
Occupancy	2,446	2,182	5,044	4,708
Equipment	1,781	1,944	3,634	3,710
Professional fees and outside services	1,424	1,240	3,056	2,542
Data processing and communications	2,852	2,720	5,544	5,441
Amortization of intangible assets and goodwill	71	155	142	317
Capital securities	-	179	-	370
Loan collection and other real estate owned	99	476	471	756
Other operating	3,505	3,881	6,345	7,093
Total noninterest expenses	25,863	25,848	53,065	51,740
Income before income tax expense	18,378	17,170	36,589	34,109
Income tax expense	5,810	5,362	11,650	10,735
NET INCOME	$ 12,568	$ 11,808	$ 24,939	$ 23,374
Earnings per share:				
Basic	$ 0.38	$ 0.36	$ 0.76	$ 0.72
Diluted	$ 0.38	$ 0.36	$ 0.75	$ 0.71

See notes to unaudited interim consolidated financial statements.

NBT Bancorp Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

(in thousands, except per share data)	Common Stock	Additional Paid-in-Capital	Retained Earning	Unvested Restricted Stock	Accumulated Other Comprehensive (Loss)/Income	Treasury Stock	Total
BALANCE AT DECEMBER 31, 2002	$ 344	$ 210,443	$ 95,085	$ (127)	$ 16,531	$ (29,894)	$292,382
Net income			23,374				23,374
Cash dividends - $0.34 per share			(11,050)				(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)				357	-
Issuance of 107,403 shares to employee benefit plans and other stock plans, including tax benefit		(317)				1,838	1,521
Grant of 11,536 shares of restricted stock awards				(203)		203	-
Amortization of restricted stock awards				70			70
Other comprehensive loss					(1,958)		(1,958)
BALANCE AT JUNE 30, 2003	$ 344	$ 209,769	$ 107,409	$ (260)	$ 14,573	$ (33,985)	$297,850
BALANCE AT DECEMBER 31, 2003	$ 344	$ 209,267	$ 120,016	$ (197)	$ 7,933	$ (27,329)	$310,034
Net income			24,939				24,939
Cash dividends - $0.36 per share			(11,809)				(11,809)
Purchase of 351,331 treasury shares						(7,558)	(7,558)
Issuance of 134,147 shares to employee benefit plans and other stock plans, including tax benefit		70				2,494	2,564
Grant of 24,371 shares of restricted stock awards		59		(312)		253	-
Amortization of restricted stock awards				79			79
Forfeited 963 shares of restricted stock				17		(17)	-
Other comprehensive loss					(10,574)		(10,574)
BALANCE AT JUNE 30, 2004	$ 344	$ 209,396	$ 133,146	$ (413)	$ (2,641)	$ (32,157)	$307,675

See notes to unaudited interim consolidated financial statements.

NBT Bancorp Inc. and Subsidiaries Consolidated Statements of Cash Flows (unaudited)	Six Months Ended June 30, 2004	2003
(in thousands)		
OPERATING ACTIVITIES:		
Net income	$ 24,939	$ 23,374
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	4,552	3,353
Depreciation of premises and equipment	3,028	3,232
Net amortization on securities	1,459	2,250
Amortization of intangible assets	142	317
Amortization of restricted stock awards	79	70
Proceeds from sale of loans held for sale	23,398	7,581
Origination of loans held for sale	(1,025)	(2,350)
Net losses (gains) on sale of loans	(108)	-
Net loss on disposal of premises and equipment	-	-
Net (gain) loss on sale of other real estate owned	(652)	(710)
Net security (gains) losses	(38)	(65)
Writedown of nonmarketable equity securities	-	620
Purchase of Bank Owned Life Insurance	-	(30,000)
Net decrease (increase) in other assets	6,198	(3,694)
Net decrease in other liabilities	(6,210)	13,160
Net cash provided by operating activities	55,762	17,138
INVESTING ACTIVITIES:		
Net cash and cash equivalents provided by acquisitions	-	10,594
Securities available for sale:		
Proceeds from maturities	155,276	227,529
Proceeds from sales	12,794	177,526
Purchases	(185,197)	(390,249)
Securities held to maturity:		
Proceeds from maturities	33,999	29,473
Purchases	(16,572)	(39,446)
Net (Purchases) proceeds of FRB and FHLB stock	(1,951)	(5,476)
Net (increase) decrease in loans	(140,095)	(148,341)
Purchase of premises and equipment, net	(2,593)	(3,275)
Proceeds from sales of other real estate owned	1,899	2,434
Net cash (used in) provided by investing activities	(142,440)	(139,231)
FINANCING ACTIVITIES:		
Net increase (decrease) in deposits	39,253	29,845
Net (decrease) in short-term borrowings	46,214	106,380
Proceeds from issuance of long-term debt	30,000	125,000
Repayments of long-term debt	(30,133)	(100,346)
Proceeds from issuance of treasury shares to employee benefit plans and other stock plans, including tax benefit	2,564	1,521
Purchase of treasury stock	(7,558)	(6,489)
Cash dividends	(11,809)	(11,050)
Net cash provided by (used in) financing activities	68,531	144,861
Net (decrease) increase in cash and cash equivalents	(18,147)	22,768
Cash and cash equivalents at beginning of period	128,092	124,623
CASH AND CASH EQUIVALENTS AND END OF PERIOD	$ 109,945	$ 147,391

(continued)

Consolidated Statements of Cash Flows, Continued

Supplemental disclosure of cash flow information:	Six Months Ended June 30, 2004	2003
Cash paid during the period for:		
Interest	$ 29,705	$ 33,819
Income taxes	7,335	6,100
Transfers:		
Loans transferred to OREO	$ 460	$ 1,122
Acquisitions:		
Fair value of assets acquired	-	$ 1,155
Fair value of liabilities assumed	-	13,311

See notes to unaudited interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME	Three months ended June 30, 2004	2003	Six months ended June 30, 2004	2003
(in thousands and unaudited)				
Net income	$ 12,568	$ 11,808	$ 24,939	$ 23,374
Other comprehensive (loss), net of tax				
Unrealized holding (losses) arising during period [pre-tax amounts of $(24,792) $(488), $(17,548), and $(2,831)]	(15,124)	(293)	(10,551)	(1,702)
Minimum pension liability adjustment	-	-	-	(217)
Less: Reclassification adjustment for net (gains) included in net income [pre-tax amounts of $(29), $(38), $(38), and $(65)]	(17)	(23)	(23)	(39)
Total other comprehensive (loss)	(15,141)	(316)	(10,574)	(1,958)
Comprehensive income (loss)	$ (2,573)	$ 11,492	$ 14,365	$ 21,416

See notes to unaudited interim consolidated financial statements.

NOTE 1. DESCRIPTION OF BUSINESS

NBT Bancorp Inc. (the Company or the Registrant) is a registered financial holding company incorporated in the state of Delaware in 1986, with its principal headquarters located in Norwich, New York. The Company is the parent holding company of NBT Bank, N.A. (the Bank) and NBT Financial Services, Inc. (NBT Financial). Through these subsidiaries, the Company operates as one segment focused on community banking operations. The Company's primary business consists of providing commercial banking and financial services to its customers in its market area. The principal assets of the Company are all of the outstanding shares of common stock of its direct subsidiaries, and its principal sources of revenue are the management fees and dividends it receives from the Bank and NBT Financial.

The principal subsidiaries of the Company through which it conducts its operations are the Bank and NBT Financial. The Bank is a full service commercial bank formed in 1856, which provides a broad range of financial products to individuals, corporations and municipalities throughout the central and upstate New York and northeastern Pennsylvania market area. The Bank conducts business through two operating divisions, NBT Bank and Pennstar Bank.

NOTE 2. BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements include the accounts of NBT Bancorp Inc. and its wholly owned subsidiaries, NBT Bank, N.A. and NBT Financial Services, Inc. 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.

In December, 2003, the Financial Accounting Standards Board (FASB) issued revisions to Interpretation (FIN) No. 46, "Consolidation of Variable Interest Entities (VIE)" or FIN No. 46-R. Prior to the issuance of FIN No. 46-R, the Company included CNBF Capital Trust I (the Trust), a statutory business trust established for the exclusive purpose of issuing and selling 30 year guaranteed preferred beneficial interests in the Company's junior subordinated debentures, in its consolidated financial statements. The guaranteed preferred beneficial interests in the Company's junior subordinated debentures was reported as a mezzanine item between total liabilities and stockholders' equity. Since these capital securities were not reported as debt on the Company's consolidated balance sheet, the interest expense associated with the capital securities was reported as a component of noninterest expense in the Company's consolidated statements of income.

Upon adoption of FIN No. 46-R on January 1, 2004, the Company de-consolidated the Trust from the Company's consolidated balance sheet. The consolidated balance sheet at June 30, 2004 includes the Company's obligation to the Trust as a component of liabilities, as long-term debt. The interest expense associated with the Company's obligation to the Trust is reported as a component of interest expense in the Company's consolidated statements of income for the three and six months ended June 30, 2004. See footnote 9 for more information about the accounting treatment of the Trust in the Company's consolidated financial statements.

The consolidated balance sheet at December 31, 2003 has been derived from audited consolidated financial statements at that date. The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of

management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004. 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, 2003 and notes thereto referred to above.

NOTE 3. NEW ACCOUNTING PRONOUNCEMENTS

In January 2004, the FASB issued FASB Staff Position (FSP) No. 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003." FSP No. 106-1 permits a sponsor of a postretirement healthcare plan that provides a prescription drug benefit to make a one-time election to defer accounting for the effects of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act). In accordance with FSP No. 106-1, the Company has elected to defer the accounting for the effects of the Act. Management does not expect adoption of FSP No. 106-1 to have a material effect on the Company's financial condition, results of operations or cash flows.

NOTE 4. 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. Realization of deferred tax assets is dependent upon the generation of future taxable income or the existence of sufficient taxable income within the available carryback period. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax asset will not be realized. Based on available evidence, gross deferred tax assets will ultimately be realized and a valuation allowance was not deemed necessary at June 30, 2004 and 2003. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

NOTE 5. 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, 2004 and December 31, 2003, commitments to extend credit and unused lines of credit totaled $556.7 million and $473.0 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 $24.5 million at June 30, 2004, and $17.1 million at December 31, 2003. As of June 30, 2004, the fair value of standby letters of credit was not material to the Company's consolidated financial statements.

NOTE 6. EARNINGS PER SHARE

Basic earnings per share excludes dilution and is computed by dividing income available to common stockholders 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).

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,	2004	2003
(in thousands, except per share data)		
Basic EPS:		
Weighted average common shares outstanding	32,758	32,653
Net income available to common shareholders	$12,568	$11,808
Basic EPS	$ 0.38	$ 0.36
Diluted EPS:		
Weighted average common shares outstanding	32,758	32,653
Dilutive potential common stock	326	282
Weighted average common shares and common share equivalents	33,084	32,935
Net income available to common shareholders	$12,568	$11,808
Diluted EPS	$ 0.38	$ 0.36

Six months ended June 30,	2004	2003
(in thousands, except per share data)		
Basic EPS:		
Weighted average common shares outstanding	32,777	32,443
Net income available to common shareholders	$24,939	$23,374
Basic EPS	$ 0.76	$ 0.72
Diluted EPS:		
Weighted average common shares outstanding	32,777	32,443
Dilutive effect of common stock options and restricted stock	352	275
Weighted average common shares and common share equivalents	33,129	32,718
Net income available to common shareholders	$24,939	$23,374
Diluted EPS	$ 0.75	$ 0.71

There were 337,393 stock options for the quarter ended June 30, 2004 and 202,970 stock options for the quarter ended June 30, 2003 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 337,393 stock options for the six months ended June 30, 2004 and 368,022 stock options for the six months ended June 30, 2003 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 7. STOCK-BASED COMPENSATION

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

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

	THREE MONTHS ENDED JUNE 30,	
(in thousands, except per share data)	2004	2003
Net income, as reported	$ 12,568	$ 11,808
Add: Stock-based compensation expense included in reported net income, net of related tax effects	26	19
Less: Stock-based compensation expense determined under fair value method for all awards, net of related tax effects	(289)	(268)
Pro forma net income	$ 12,305	$ 11,559
Net income per share:		
Basic - as reported	$ 0.38	$ 0.36
Basic - Pro forma	$ 0.38	$ 0.36
Diluted - as reported	$ 0.38	$ 0.36
Diluted - Pro forma	$ 0.37	$ 0.35

(in thousands, except per share data)	SIX MONTHS ENDED JUNE 30, 2004	2003
Net income, as reported	$ 24,939	$ 23,374
Add: Stock-based compensation Expense in reported net income, Net of related tax effects	49	42
Less: Stock-based compensation expense determined under fair value method for all awards, net of related tax effects	(571)	(531)
Pro forma net income	$ 24,417	$ 22,885
Net income per share:		
Basic - as reported	$ 0.76	$ 0.72
Basic - Pro forma	$ 0.74	$ 0.71
Diluted - as reported	$ 0.75	$ 0.71
Diluted - Pro forma	$ 0.74	$ 0.70

The Company granted 343,552 stock options for the six months ended June 30, 2004 with a weighted average exercise price of $22.15 per share compared to 366,392 stock options granted for the six months ended June 30, 2003 with a weighted average exercise price of $17.53 per share. The per share weighted average fair value of the stock options granted for the six months ended June 30, 2004 and 2003 was $5.81 and $3.92. The assumptions used for the grants noted above were as follows:

	SIX MONTHS ENDED JUNE 30, 2004	SIX MONTHS ENDED JUNE 30, 2003
DIVIDEND YIELD	3.01% - 3.74%	3.73% - 3.97%
EXPECTED VOLATILITY	31.48% - 31.65%	31.35% - 31.38%
RISK-FREE INTEREST RATE	3.56% - 4.41%	2.98% - 3.36%
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 8. GOODWILL AND INTANGIBLE ASSETS

A summary of goodwill by operating subsidiaries follows:

(in thousands)	JANUARY 1, 2003	GOODWILL ACQ. (DISP.)	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

(in thousands)	JANUARY 1, 2004	GOODWILL ACQ. (DISP.)	JUNE 30, 2004
NBT Bank, N.A.	$ 44,520	$ -	$ 44,520
NBT Financial Services, Inc.	3,001	-	3,001
Total	$ 47,521	$ -	$ 47,521

The Company acquired $1.4 million in goodwill in connection with the acquisition of a branch from Alliance Bank in June of 2003.

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, 2004	JUNE 30, 2003
(in thousands)		
Core deposit intangibles:		
Gross carrying amount	$5,558	$5,558
Less: accumulated amortization	4,587	4,221
Net Carrying amount	971	1,337
Other intangibles:		
Gross carrying amount	1,031	1,031
Less: accumulated amortization	364	313
Net Carrying amount	667	718
Other intangibles not subject to amortization: Pension asset	551	551
Total intangibles with definite useful lives:		
Gross carrying amount	7,140	7,140
Less: accumulated amortization	4,951	4,534
Net Carrying amount	$2,189	$2,606

Amortization expense on finite-lived intangible assets is expected to total $0.1 million for the remainder of 2004 and $0.3 million for each of 2005, 2006, 2007 and $0.2 million for 2008.

NOTE 9. 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 (3.86% and 4.04% for the June 30, 2004 and 2003 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. 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 Company's primary source of funds to pay interest on the debentures owed to the Trust are current dividends from the Bank. Accordingly, the Company's ability to service the debentures is dependent upon the continued ability of NBT Bank to pay dividends.

As noted previously, prior to the adoption of FIN No. 46-R on January 1, 2004, the Company consolidated the capital securities of the Trust and reported the securities as guaranteed preferred beneficial interests in the Company's junior subordinated debentures as a mezzanine item between total liabilities and stockholders' equity on the consolidated balance sheet. Since the capital securities were not classified as debt, the interest expense associated with the securities was reported as a component of total noninterest expense on the Company's consolidated income statements. On January 1, 2004, the Company de-consolidated the Trust from its consolidated balance sheet. The Company's obligation to the Trust is now reported as Trust Preferred Debentures as a component of long-term debt on the Company's consolidated balance sheet as of June 30, 2004. The interest expense associated with these debentures is reported as a component of total interest expense in the Company's consolidated statements of income for the three and six months ended June 30, 2004. As permitted, the provisions of FIN No. 46-R were applied on a prospective basis.

NOTE 10. DEFINED BENEFIT PENSION PLAN AND POSTRETIREMENT HEALTH PLAN

The Company maintains a qualified, noncontributory, defined benefit pension plan covering substantially all employees. Benefits paid from the plan are based on age, years of service, compensation, social security benefits, and are determined in accordance with defined formulas. The Company's policy is to fund the pension plan in accordance with ERISA standards. The Company does not plan to contribute to the defined benefit pension plan in 2004. In addition, the Company provides certain health care benefits for retired employees. Benefits are accrued over the employees' active service period. Only employees that were employed by NBT Bank, N.A. on or before January 1, 2000 are eligible to receive postretirement health care benefits. The Company funds the cost of the postretirement health plan as benefits are paid.

The Components of pension expense and postretirement expense are set forth below:

Pension plan:	THREE MONTHS ENDED JUNE 30, 2004	THREE MONTHS ENDED JUNE 30, 2003
Service cost	$ 427	$ 337
Interest cost	533	507
Expected return on plan assets	(934)	(794)
Net amortization	64	64
Total	$ 90	$ 114

Postretirement Health Plan:	THREE MONTHS ENDED JUNE 30, 2004	THREE MONTHS ENDED JUNE 30, 2003
Service cost	$ 9	$ 33
Interest cost	68	91
Net amortization	(10)	10
Total	$ 67	$ 134

Pension plan:	SIX MONTHS ENDED JUNE 30, 2004	SIX MONTHS ENDED JUNE 30, 2003
Service cost	$ 854	$ 674
Interest cost	1,066	1,014
Expected return on plan assets	(1,868)	(1,588)
Net amortization	128	128
Total	$ 180	$ 228

Postretirement Health Plan:	SIX MONTHS ENDED JUNE 30, 2004	SIX MONTHS ENDED JUNE 30, 2003
Service cost	$ 18	$ 66
Interest cost	136	182
Net amortization	(20)	20
Total	$ 134	$ 268

Item 2 -- MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The purpose of this discussion and analysis is to provide the reader with a concise description of the financial condition and results of operations of NBT Bancorp Inc. (Bancorp) and its wholly owned subsidiaries, NBT Bank, N.A. (NBT), and NBT Financial Services, Inc. (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 2003 Form 10-K for an understanding of the following discussion and analysis.

FORWARD LOOKING STATEMENTS

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

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

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

CRITICAL ACCOUNTING POLICIES

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

OVERVIEW

The Company earned net income of $12.6 million ($0.38 diluted earnings per share) for the three months ended June 30, 2004 compared to net income of $11.8 million ($0.36 diluted earnings per share) for the three months ended June 30, 2003. The quarter to quarter increase in net income from 2004 to 2003 was primarily the result of increases in total noninterest income of $1.1 million and net interest income of $1.2 million offset by an increase in the provision for loan and lease losses of $1.0 million. The increase in noninterest income was driven primarily by increases in services charges on deposit accounts of $0.3 million, Bank Owned Life Insurance (BOLI) income of $0.4 million, and other income of $0.3 million. The increase in net interest income resulted primarily from 12% growth in average loans during the three months ended June 30, 2004 compared to the same period in 2003 offset somewhat by a 19 basis point decline in net interest margin to 3.99% for 2004 from 4.18% for 2003. The increase in provision for loan and lease losses resulted primarily from loan growth and higher net charge-offs for the quarter ended June 30, 2004 compared to the same period in 2003.

The Company earned net income of $24.9 million ($0.75 diluted earnings per share) for the six months ended June 30, 2004 compared to net income of $23.4 million ($0.71 diluted earnings per share) for the six months ended June 30, 2003. The increase in net income from 2004 to 2003 was primarily the result of increases in total noninterest income of $2.8 million and net interest income of $2.3 million offset by increases in the provision for loan and lease losses of $1.2 million, total noninterest expense of $1.3 million and income tax expense of $0.9 million. The increase in noninterest income was driven primarily by increases in services charges on deposit accounts of $0.8 million, Bank Owned Life Insurance (BOLI) income of $0.8 million, broker/dealer and insurance revenue of $0.4 million and other income of $0.6 million. The increase in net interest income resulted primarily from 12% growth in average loans during the six months ended June 30, 2004 compared to the same period in 2003 offset somewhat by a 25 basis point decline in net interest margin to 4.04% for 2004 from 4.29% for 2003. The increase in provision for loan and lease losses resulted primarily from loan growth and higher net charge-offs noted above. The increase in income tax expense resulted primarily from an increase in income before taxes of $2.5 million period over period.

Table 1 depicts several 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

2004	FIRST QUARTER	SECOND QUARTER	SIX MONTHS
Return on average assets (ROAA)	1.23%	1.24%	1.24%
Return on average equity (ROE)	15.73%	16.05%	15.89%
Net interest margin (FTE)	4.10%	3.99%	4.04%
2003			
ROAA	1.27%	1.25%	1.26%
ROE	16.05%	16.07%	16.08%
Net interest margin	4.38%	4.18%	4.29%

NET INTEREST INCOME

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

Federal taxable equivalent (FTE) net interest income increased $1.2 million during the three months ended June 30, 2004 compared to the same period of 2003. The increase in FTE net interest income resulted primarily from 12% growth in average loans. Offsetting the effect of the growth in loans was a 13 basis point (bp) decline in the Company's net interest spread, as earning assets repriced downward at a faster rate than interest-bearing liabilities. The yield on earning assets declined 53 bp to 5.50% for the three months ended June 30, 2004 from 6.03% for the same period in 2003. Meanwhile, the rate paid on interest-bearing liabilities decreased 40 bp, to 1.78% for the three months ended June 30, 2004 from 2.18% for the same period in 2003.

Total FTE interest income for the three months ended June 30, 2004 decreased $0.7 million compared to the same period in 2003, a result of the previously mentioned decrease in yield on earning assets. The decrease in the yield on earning assets can be primarily attributed to the historically low interest rate environment prevalent for all of 2003 and the first-half of 2004. The low interest rate environment fostered an increase in refinancing of mortgage related earning assets, resulting in an increase in repayments of loans and securities which have been reinvested at lower rates. Minimizing the effect of the decline in yield was an 8% increase in average earning assets during the three months ended June 30, 2004 when compared to the same period in 2003. As mentioned previously, the growth in earning assets during the period was driven primarily by growth in average loans and leases of 12%. The growth in average loans and leases resulted primarily from strong growth in the consumer loan, commercial loan and residential real estate mortgage mix of the portfolio.

During the same time period, total interest expense decreased $1.8 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 32.9% of interest-bearing liabilities for the three months ended June 30, 2004 from 41.3% for the same period in 2003. Offsetting this decrease in the interest-bearing liabilities mix, was an increase in lower cost NOW,

MMDA, and Savings deposits, to 46.3% of interest-bearing liabilities for the three months ended June 30, 2004 from 42.5% for the same period in 2003. Additionally, offsetting the decline in time deposits was an increase in short-term borrowings, comprising 8.8% of average interest-bearing liabilities for the three months ended June 30, 2004 compared to 4.1% for the same period in 2003. Meanwhile, long-term debt decreased slightly, comprising 11.5% and 12.1% of average interest-bearing liabilities for the three months ended June 30, 2004 and 2003.

Another important performance measurement of net interest income is the net interest margin. Net interest margin decreased to 3.99% for the three months ended June 30, 2004, from 4.18% for the comparable period in 2003. 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 from earning assets exceeding the decrease in rates on interest-bearing liabilities.

Federal taxable equivalent (FTE) net interest income increased $2.2 million during the six months ended June 30, 2004 compared to the same period of 2003. The increase in FTE net interest income resulted primarily from 12% growth in average loans. Offsetting the effect of the growth in loans was a 17bp decline in the Company's net interest spread, as earning assets repriced downward at a faster rate than interest-bearing liabilities. The yield on earning assets declined 61bp to 5.58% for the six months ended June 30, 2004 from 6.19% for the same period in 2003. Meanwhile, the rate paid on interest-bearing liabilities decreased 44 bp, to 1.81% for the six months ended June 30, 2004 from 2.25% for the same period in 2003. Net interest margin decreased to 4.04% for the six months ended June 30, 2004, from 4.29% for the comparable period in 2003. 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 from earning assets exceeding the decrease in rates on interest-bearing liabilities.

TABLE 2
AVERAGE BALANCES AND NET INTEREST INCOME

The following table includes the 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. Interest income for tax-exempt securities and loans has been adjusted to a taxable-equivalent basis using the statutory Federal income tax rate of 35%.

	Three months ended June 30,					
	2004			2003		
(dollars in thousands)	AVERAGE BALANCE	INTEREST	YIELD/ RATES	Average Balance	Interest	Yield/ Rates
ASSETS						
Short-term interest bearing accounts	$ 7,282	$ 58	3.20%	$ 4,331	$ 18	1.67%
Securities available for sale (2)	974,046	10,922	4.51%	975,929	11,483	4.72%
Securities held to maturity (2)	87,802	1,082	4.95%	86,400	1,164	5.40%
Investment in FRB and FHLB Banks	33,301	178	2.15%	23,987	314	5.25%
Loans (1)	2,698,654	39,762	5.92%	2,417,364	39,732	6.59%
Total earning assets	3,801,085	52,002	5.50%	3,508,011	52,711	6.03%
Other assets	272,059			265,449		
Total assets	$4,073,144			$3,773,460		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Money market deposit accounts	$ 455,579	1,335	1.18%	$ 343,941	1,126	1.31%
NOW deposit accounts	457,314	538	0.47%	395,978	636	0.64%
Savings deposits	581,589	926	0.64%	518,189	1,236	0.96%
Time deposits	1,061,108	6,875	2.60%	1,221,528	9,042	2.97%
Total interest bearing deposits	2,555,590	9,674	1.52%	2,479,636	12,040	1.95%
Short-term borrowings	283,701	794	1.13%	122,794	370	1.21%
Trust preferred debentures	18,720	163	3.50%	-	-	-
Long-term debt	369,611	3,627	3.94%	358,119	3,691	4.13%
Total interest bearing liabilities	3,227,622	14,258	1.78%	2,960,549	16,101	2.18%
Demand deposits	483,650			448,597		
Other liabilities (3)	46,892			69,655		
Stockholders' equity	314,980			294,659		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$4,073,144			$3,773,460		
NET INTEREST INCOME (FTE BASIS)		37,744			36,610	
INTEREST RATE SPREAD			3.72%			3.84%
NET INTEREST MARGIN			3.99%			4.18%
Taxable equivalent adjustment		1,064			1,118	
NET INTEREST INCOME		$ 36,680			$ 35,492	

(1) For purposes of these computations, nonaccrual loans are included in the average loan balances outstanding.

(2) Securities are shown at average amortized cost.

(3) Included in other liabilities for 2003 is $17.0 million in the Company's guaranteed preferred beneficial interests in Company's junior subordinated debentures.

(dollars in thousands)	Six months ended June 30, 2004 AVERAGE BALANCE	INTEREST	YIELD/ RATES	2003 Average Balance	Interest	Yield/ Rates
ASSETS						
Short-term interest bearing accounts	$ 7,761	$ 149	3.86%	$ 4,756	$ 44	1.82%
Securities available for sale (2)	969,347	22,309	4.63%	976,909	23,900	4.94%
Securities held to maturity (2)	91,878	2,227	4.87%	83,388	2,347	5.69%
Investment in FRB and FHLB Banks	33,648	354	2.11%	23,736	614	5.23%
Loans (1)	2,672,384	79,789	6.00%	2,386,173	79,536	6.73%
Total earning assets	3,775,018	104,828	5.58%	3,474,962	106,441	6.19%
Other assets	277,696			260,749		
Total assets	$4,052,714			$3,735,711		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Money market deposit accounts	$ 438,225	2,536	1.16%	$ 333,536	2,236	1.35%
NOW deposit accounts	454,414	1,119	0.49%	395,306	1,327	0.68%
Savings deposits	568,101	1,930	0.68%	506,863	2,466	0.98%
Time deposits	1,077,779	14,134	2.64%	1,241,778	18,623	3.03%
Total interest bearing deposits	2,538,519	19,719	1.56%	2,477,483	24,652	2.01%
Short-term borrowings	286,658	1,587	1.11%	110,713	659	1.20%
Trust preferred debentures	17,869	357	4.02%	-	-	0.00%
Long-term debt	369,650	7,241	3.94%	351,931	7,396	4.25%
Total interest bearing liabilities	3,212,696	28,904	1.81%	2,940,127	32,707	2.25%
Demand deposits	476,186			439,398		
Other liabilities (3)	48,310			62,579		
Stockholders' equity	315,522			293,607		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$4,052,714			$3,735,711		
NET INTEREST INCOME (FTE BASIS)		75,924			73,734	
INTEREST RATE SPREAD			3.77%			3.94%
NET INTEREST MARGIN			4.04%			4.29%
Taxable equivalent adjustment		2,150			2,213	
NET INTEREST INCOME		$ 73,774			$ 71,521	

(1) For purposes of these computations, nonaccrual loans are included in the average loan balances outstanding.

(2) Securities are shown at average amortized cost.

(4) Included in other liabilities for 2003 is $17.0 million in the Company's guaranteed preferred beneficial interests in Company's junior subordinated debentures.

The following table presents changes in interest income and interest expense attributable to changes in volume (change in average balance multiplied by prior year rate), changes in rate (change in rate multiplied by prior year volume), and the net change in net interest income. 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) 2004 OVER 2003		
(in thousands)	VOLUME	RATE	TOTAL
Short-term interest bearing accounts	$ 19	$ 21	$ 40
Securities available for sale	(22)	(539)	(561)
Securities held to maturity	19	(101)	(82)
Investment in FRB and FHLB Banks	93	(229)	(136)
Loans	4,370	(4,340)	30
Total (FTE) interest income	4,216	(4,925)	(709)
Money market deposit accounts	337	(128)	209
NOW deposit accounts	89	(187)	(98)
Savings deposits	138	(448)	(310)
Time deposits	(1,112)	(1,055)	(2,167)
Short-term borrowings	452	(28)	424
Long-term debt and trust preferred debentures	301	(202)	99
Total interest expense	1,364	(3,207)	(1,843)
CHANGE IN FTE NET INTEREST INCOME	$ 2,852	$ (1,718)	$ 1,134

Six months ended June 30,	INCREASE (DECREASE) 2004 OVER 2003		
(in thousands)	VOLUME	RATE	TOTAL
Short-term interest bearing accounts	$ 43	$ 62	$ 105
Securities available for sale	(184)	(1,407)	(1,591)
Securities held to maturity	225	(345)	(120)
Investment in FRB and FHLB Banks	194	(454)	(260)
Loans	9,008	(8,755)	253
Total (FTE) interest income	8,783	(10,396)	(1,613)
Money market deposit accounts	635	(335)	300
NOW deposit accounts	179	(387)	(208)
Savings deposits	272	(808)	(536)
Time deposits	(2,301)	(2,188)	(4,489)
Short-term borrowings	977	(49)	928
Long-term debt and trust preferred debentures	718	(516)	202
Total interest expense	2,843	(6,646)	(3,803)
CHANGE IN FTE NET INTEREST INCOME	$ 5,940	$ (3,750)	2,190

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 years indicated:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2004	2003	2004	2003
(in thousands)				
Service charges on deposit accounts	$ 4,090	$ 3,764	$ 8,127	$ 7,367
Broker/dealer and insurance fees	1,783	1,750	3,514	3,142
Trust	1,142	1,116	2,249	2,008
Other	2,536	2,257	5,710	5,085
Net securities (losses) gains	29	38	38	65
Bank owned life insurance income	409	14	794	14
Total	$ 9,989	$ 8,939	$ 20,432	$ 17,681

Total noninterest income increased $1.1 million, or 12% from $8.9 million for the three months ended June 30, 2003 to $10.0 million for the same period in 2004. Service charges on deposit accounts increased $0.3 million, due primarily to higher overdraft fees from pricing adjustments made during the second half of 2003. Bank Owned Life Insurance ("BOLI") income increased $0.4 million, resulting from the $30.0 million BOLI purchase in June 2003. Other income increased $0.3 million, primarily from increases in retail and commercial banking fees.

Total noninterest income increased $2.8 million, or 16% from $17.7 million for the six months ended June 30, 2003 to $20.4 million for the same period in 2004. Service charges on deposit accounts increased $0.8 million, due primarily to the previously mentioned higher overdraft fees from pricing adjustments made during the second half of 2003. Bank Owned Life Insurance ("BOLI") income increased $0.4 million, resulting from the $30.0 million BOLI purchase in June 2003. Broker/dealer revenue increased $0.4 million for the six months ended June 30, 2004 over the same period in 2003, due primarily to the Company's initiative in delivering financial service related products through its 112-branch network, which was implemented at the end of 2002. Other income increased $0.6 million, primarily from an increase in credit-group-life insurance fees and from increases in retail and commercial banking fees.

NONINTEREST EXPENSE

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

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2004	2003	2004	2003
(in thousands)				
Salaries and employee benefits	$ 12,542	$ 12,060	$ 26,655	$ 24,719
Occupancy	2,446	2,182	5,044	4,708
Equipment	1,781	1,944	3,634	3,710
Data processing and communications	2,852	2,720	5,544	5,441
Professional fees and outside services	1,424	1,240	3,056	2,542
Office supplies and postage	1,143	1,011	2,174	2,084
Amortization of intangible assets	71	155	142	317
Capital securities	-	179	-	370
Loan collection and other real estate owned	99	476	471	756
Other	3,505	3,881	6,345	7,093
Total noninterest expense	$ 25,863	$ 25,848	$ 53,065	$ 51,740

Noninterest expense for the quarter ended June 30, 2004 was $25.9 million, up slightly from $25.8 million for the same period in 2003. Salaries and employee benefits for the three months ended June 30, 2004 increased $0.5 million or 4% over the same period in 2003 mainly from higher salaries from merit increases and higher employee medical insurance costs. Occupancy expense for the three months ended June 30, 2004 increased $0.3 million or 12% over the same period in 2003 primarily from branch expansion in the Albany market. Offsetting these increases were decreases in loan collection and other real estate owned ("OREO") costs and other operating expenses. Loan collection and OREO costs for the three months ended June 30, 2004 decreased $0.4 million when compared to the same period in 2003 mainly from a $0.3 million gain from the sale of OREO during the current quarter. Other operating expense for the three months ended June 30, 2004 decreased $0.4 million when compared to the same period in 2003 mainly from a $0.6 million charge for the writedown of a nonmarketable security in 2003.

Noninterest expense for the six months ended June 30, 2004 was $53.1 million, up $1.3 million or 3% from $51.7 million for the same period in 2003. The increase in noninterest expense was due primarily to increases in salaries and employee benefits and professional fees and outside services partially offset by decreases in loan collection and OREO costs and other operating expense. Salaries and employee benefits increased $1.9 million, mainly from a $1.1 million increase in salary expense from merit increases and an increase in employee medical costs of $0.5 million. Professional fees and outside services increased $0.5 million mainly from increased courier, legal and audit costs. Loan collection and OREO costs decreased $0.3 million from a decrease in OREO expenses resulting from a decline in the number of OREO properties under management as OREO totaled $0.4 million at June 30, 2004 compared to $2.3 million at June 30, 2003. Other operating expense decreased $0.7 million mainly from the previously mentioned $0.6 million charge for the writedown of a nonmarketable security in 2003.

INCOME TAXES

Income tax expense was $5.8 million for the three months ended June 30, 2004 compared to $5.4 million for the same period in 2003. The effective tax rate was 31.6% for the three months ended June 30, 2004 and 31.2% for the same period in 2003. Income tax expense was $11.7 million for the six months ended June 30, 2004 compared to $10.7 million for the same period in 2003. The effective tax rate was 31.8% for the six months ended June 30, 2004 and 31.5% for the same period in 2003.

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, 2004	December 31, 2003	June 30, 2003
Commercial and commercial mortgages*	$1,180,837	$ 1,085,605	$1,116,892
Residential real estate mortgages	724,590	764,681	642,227
Consumer	778,499	726,960	674,490
Leases	69,699	62,730	62,776
Total loans and leases	$2,753,625	$ 2,639,976	$2,496,385

* Includes agricultural loans

Total loans and leases were $2.8 billion, or 66.8% of assets, at June 30, 2004, and $2.6 billion, or 65.2% at December 31, 2003, and $2.5 billion, or 63.7%, at June 30, 2003. Total loans and leases increased $257.2 million or 10% at June 30, 2004 when compared to June 30, 2003. The solid year over year loan growth was driven mainly by increases in consumer loans of $104.0 million or 15%, due in part to strong growth in home equity loans and indirect automobile installment loans. Additionally, residential real estate mortgages, increased $82.4 million or 13%. The increase in residential real estate mortgages resulted from a combination of low interest rates increasing product demand and centralizing the mortgage origination function at the end of 2002, leading to stronger market presence, competitive products and efficient customer service. Lastly, commercial loans and commercial mortgages increased $63.9 million or 6% year over year. At June 30, 2004, commercial loans, including commercial mortgages, represented approximately 43% of the loan and lease portfolio, while consumer loans and leases and residential mortgages represented 31% and 26%, respectively.

SECURITIES

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

establishment of a new cost basis for the security. Securities with an other-than-temporary impairment are generally placed on nonaccrual status.

Average total securities remained relatively unchanged for the three months ended June 30, 2004 when compared to the same period in 2003. The average balance of securities available for sale decreased $1.9 million for the three months ended June 30, 2004 when compared to the same period in 2003. The average balance of securities held to maturity increased $1.4 million for the three months ended June 30, 2004, when compared to the same period in 2003. The average total securities portfolio represents 28% of total average earning assets for the three months ended June 30, 2004 down from 30% for the same period in 2003.

The following details the composition of securities available for sale, securities held to maturity and regulatory investments for the periods indicated:

	AT JUNE 30, 2004	AT JUNE 30, 2003
Mortgage-backed securities:		
With maturities 15 years or less	51%	46%
With maturities greater than 15 years	9%	18%
Collateral mortgage obligations	9%	2%
Municipal securities	14%	15%
US agency notes	12%	15%
Other	5%	4%
Total	100%	100%

ALLOWANCE FOR LOAN AND LEASE LOSSES, PROVISION FOR LOAN AND LEASE LOSSES, AND NONPERFORMING ASSETS

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

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

For purposes of evaluating the adequacy of the allowance, the Company considers a number of significant factors that affect the collectibility of the portfolio. For individually analyzed loans, these include estimates of loss exposure, which reflect the facts and circumstances that affect the likelihood of repayment of such loans as of the evaluation date. For homogeneous pools of loans and leases, estimates of the Company's exposure to credit loss reflect a thorough current assessment of a number of factors, which could affect collectibility. These factors include: past loss experience; the size, trend, composition, and nature of the loans and leases; changes in lending policies and procedures, including underwriting standards and collection, charge-off and recovery practices; trends experienced in nonperforming and delinquent loans and leases; current economic conditions in the Company's market; portfolio concentrations that may affect loss experienced across one or more components of the portfolio; the effect

of external factors such as competition, legal and regulatory requirements; and the experience, ability, and depth of lending management and staff. In addition, various regulatory agencies, as an integral component of their examination process, periodically review the Company's allowance for loan and lease losses. Such agencies may require the Company to recognize additions to the allowance based on their judgment about information available to them at the time of their examination, which may not be currently available to management.

After a thorough consideration and validation of the factors discussed above, required additions to the allowance for loan and lease losses are made periodically by charges to the provision for loan and lease losses. These charges are necessary to maintain the allowance at a level which management believes is reasonably reflective of overall inherent risk of probable loss in the portfolio. While management uses available information to recognize losses on loans and leases, additions to the allowance may fluctuate from one reporting period to another. These fluctuations are reflective of changes in risk associated with portfolio content and/or changes in management's assessment of any or all of the determining factors discussed above. The allowance for loan and lease losses to outstanding loans and leases at June 30, 2004 was 1.58% compared to 1.64% at June 30, 2003. 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 and lease losses for the periods presented. The allowance is increased by provisions for losses charged to operations and is reduced by net charge-offs. Charge-offs 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 and lease losses.

TABLE 4
ALLOWANCE FOR LOAN LOSSES

(dollars in thousands)	Three months ended June 30, 2004		2003		Six months ended June 30, 2004		2003	
Balance, beginning of period	$43,303		$41,141		42,651		$ 40,167	
Recoveries	722		1,219		1,551		2,917	
Charge-offs	(2,971)		(2,915)		(5,272)		(5,579)	
Net charge-offs	(2,249)		(1,696)		(3,721)		(2,662)	
Provision for loan losses	2,428		1,413		4,552		3,353	
Balance, end of period	$43,482		$40,858		$ 43,482		$ 40,858	
COMPOSITION OF NET CHARGE-OFFS								
Commercial and agricultural	$(1,190)	53%	$ (760)	45%	$ (1,314)	35%	$ (850)	32%
Real estate mortgage	(50)	2%	60	(4)%	(69)	2%	78	(3)%
Consumer	(1,009)	45%	(996)	59%	(2,338)	63%	(1,890)	71%
Net charge-offs	$(2,249)	100%	$(1,696)	100%	$ (3,721)	100%	$ (2,662)	100%
Annualized net charge-offs to average loans	0.34%		0.28%		0.28%		0.23%	

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 $14.2 million at June 30, 2004, compared to $16.4 million at December 31, 2003, and $19.9 million at June 30, 2003. The decrease in nonperforming assets resulted primarily from decreases in nonperforming loans and OREO. Nonperforming loans totaled $13.8 million at June 30, 2004, down from the $14.8 million outstanding at December 31, 2003 and $16.8 million at June 30, 2003. The decrease in nonperforming loans resulted primarily from decreases in commercial and agricultural nonperforming loans to $8.3 million at June 30, 2004 from $11.4 million at June 30, 2003. OREO decreased from $2.3 million at June 30, 2003 to $0.4 million at June 30, 2004. The improvement in nonperforming loans and OREO resulted primarily from effective workout strategies as well as conservative underwriting standards and strong credit administration, minimizing the migration of performing loans into nonperforming status.

In addition to the nonperforming loans discussed above, the Company has also identified approximately $49.8 million in potential problem loans at June 30, 2004 as compared to $54.3 million at December 31, 2003. 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." At June 30, 2004, 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 $2.2 million for the three months ended June 30, 2004, up $0.6 million from the $1.7 million charged-off during the same period in 2003. The increase in net charge-offs resulted primarily from larger recoveries during the three months ended June 30, 2003. The provision for loan and lease losses totaled $2.4 million for the three months ended June 30, 2004, up from the $1.4 million provided during the same period in 2003. The level of provision for loan and lease losses required for the three months ended June 30, 2004 resulted primarily from loan growth and an increase in net charge-offs mentioned above.

Net charge-offs totaled $3.7 million for the six months ended June 30, 2004, up $1.1 million from the $2.7 million charged-off during the same period in 2003. The increase in net charge-offs resulted primarily from larger recoveries during the six months ended June 30, 2003. The provision for loan and lease losses totaled $4.6 million for the six months ended June 30, 2004, up from the $3.4 million provided during the same period in 2003. The level of provision for loan and lease losses required for the six months ended June 30, 2004 resulted primarily from the previously mentioned loan growth and increased net charge-offs during the quarter ended June 30, 2004.

TABLE 5
NONPERFORMING ASSETS

(dollars in thousands)	JUNE 30, 2004	December 31, 2003	June 30, 2003
Commercial and agricultural	$ 8,282	$ 8,693	$ 11,352
Real estate mortgage	2,353	2,483	1,096
Consumer	2,605	2,685	3,458
Total nonaccrual loans	13,240	13,861	15,906
Loans 90 days or more past due and still accruing:			
Commercial and agricultural	92	242	-
Real estate mortgage	185	244	133
Consumer	264	482	509
Total loans 90 days or more past due and still accruing	541	968	642
Restructured loans in compliance with modified terms:	-	-	295
Total nonperforming loans	13,781	14,829	16,843
Other real estate owned (OREO)	365	1,157	2,280
Total nonperforming loans and OREO	14,146	15,986	19,123
Nonperforming securities	52	395	735
Total nonperforming assets	$ 14,198	$ 16,381	$ 19,858
Total nonperforming loans to loans and leases	0.50%	0.56%	0.67%
Total nonperforming assets to assets	0.34%	0.40%	0.51%
Total allowance for loan and lease losses to nonperforming loans	315.52%	287.62%	242.58%

DEPOSITS

Total deposits were $3.0 billion at June 30, 2004, up slightly from year-end 2003, and an increase of $75.4 million, or 3%, from the same period in the prior year. Total average deposits for the six months ended June 30, 2004 increased $97.8 million, or 3%, for the same period in 2003. The Company experienced a decline in time deposits, as average time deposits declined $164.0 million or 13%, for the six months ended June 30, 2004 compared to the same period in 2003. Meanwhile, average core deposits increased $261.8 million or 16%, for the six months ended June 30, 2004 compared 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. At June 30, 2004, total checking, savings and money market accounts represented 65.3% of total deposits compared to 59.9% at June 30, 2003.

BORROWED FUNDS

The Company's borrowed funds consist of short-term borrowings and long-term debt. Short-term borrowings totaled $349.1 million at June 30, 2004 compared to $302.9 million and $212.0 million at December 31, and June 30, 2003, respectively. The increase from June 30, 2004 when compared to the same period in 2003 was due primarily to a much higher rate of loan growth when compared to deposit growth. Long-term debt was $369.6 million at March 31, 2004 and was $370.1 million June 30, 2003. For more information about the Company's borrowing capacity and liquidity position, see the section with the title caption of "Liquidity Risk" on page 35 in this discussion.

CAPITAL RESOURCES

Stockholders' equity of $307.7 million represents 7.5% of total assets at June 30, 2004, compared with $297.9 million, or 7.6% in the comparable period of the prior year, and $310.0 million, or 7.7% at December 31, 2003. 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	
2004	March 31	June 30
Tier 1 leverage ratio	6.96%	6.90%
Tier 1 capital ratio	10.12%	9.74%
Total risk-based capital ratio	11.37%	11.00%
Cash dividends as a percentage of net income	45.20%	49.50%
Per common share:		
Book value	$ 9.80	$ 9.43
Tangible book value	$ 8.29	$ 7.91
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

The accompanying 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 2.37 at June 30, 2004 and 2.11 in the comparable period of the prior year. The Company's price was 15.2 times trailing twelve months earnings at June 30, 2004, compared to 13.9 times for the same period last year.

TABLE 7
QUARTERLY COMMON STOCK AND DIVIDEND IN FORMATION

Quarter Ending	High	Low	Close	Cash Dividends Declared
2003				
March 31	$ 18.60	$ 16.76	$ 17.43	$ 0.170
June 30	19.94	17.37	19.36	0.170
September 30	21.76	19.24	20.25	0.170
December 31	22.78	19.50	21.44	0.170
2004				
MARCH 31	$ 23.00	$ 21.21	$ 22.50	$ 0.170
JUNE 30	$ 23.18	$ 19.92	$ 22.34	$ 0.190

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 scenarios, net interest income is projected to increase slightly when compared to the forecasted net interest income in the flat rate scenario through the simulation period. The increase in net interest income is a result of interest-bearing liabilities repricing downward at a faster 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 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. In a rising rate scenario where rates increase gradually 200bp, net interest income is projected to decrease as well from the flat rate scenario.

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, 2004 balance sheet position:

TABLE 8
INTEREST RATE SENSITIVITY ANALYSIS

CHANGE IN INTEREST RATES (IN BASIS POINTS)	PERCENT CHANGE IN NET INTEREST INCOME
+200 FLAT	(1.97%)
+200	(1.30%)
- -75	0.29%

Under the flat rate scenario with a static balance sheet, net interest income is anticipated to increase approximately 1.4% from annualized net interest income for the three months ended June 30, 2004. The increase is a result of the strong loan growth during the second quarter of 2004. The Company anticipates under current conditions, its net interest margin will range between 3.90% and 4.10% for the remainder of 2004. This forecast is dependent on earning assets benefiting from a modest increase in interest rates as well as the ability of the Company to lag increases in core deposit rates.

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 somewhat liability sensitive at June 30, 2004. The Company's net interest income is projected to decrease by 1.30% 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 $150.5 million from June 30, 2003 to June 30, 2004. From December 31, 2003, we have reduced our exposure to 30-year fixed rate mortgage related securities and loans by $27.2 million. Approximately 13.1% of earning assets were comprised of 30-year fixed rate mortgage related securities and loans at June 30, 2004, down from a ratio of 18.0% at June 30, 2003. Additionally, in March of 2004, the Company sold approximately $25 million in 30 year fixed rate mortgages. 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, or extend the term of borrowings 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, 2004, the Company's Basic Surplus measurement was 8.3% of total assets or $340 million, which was above the Company's minimum of 5% or $206 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, 2004, the Company Basic Surplus is tightening, as the Basic Surplus has decreased from 10.1% at March 31, 2004. If the Company's Basic Surplus continues to tighten, the Company may have to utilize brokered time deposits or price retail time deposits competitively to fund loan and lease growth in the near term. These sources of funds are typically more costly than FHLB borrowings and may have an adverse effect on the Company's net interest margin.

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, 2004, approximately $36.0 million of the total stockholders' equity of NBT Bank was available for payment of dividends to the Company without approval by the OCC. NBT Bank's ability to pay dividends also is subject to the Bank being in compliance with regulatory capital requirements. NBT Bank is currently in compliance with these requirements. Under the State of Delaware Business Corporation Law, the Company may declare and pay dividends either out of accumulated net retained earnings or capital surplus.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

The Company's management, including the Company's Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15(d)-15(e) under the Securities Exchange Act of 1934, as amended) as of June 30, 2004 (the "Evaluation Date") within 90 days prior to the filing date of this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures were effective in timely alerting them to any material information relating to the Company and its subsidiaries required to be included in the Company's periodic SEC filings.

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

PART II. OTHER INFORMATION

Item 1 -- Legal Proceedings

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, Use of Proceeds and Issuer Purchases of Equity Securitries

The table below sets forth the information with respect to purchases made by the Company (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934), of our common stock during the six months ended June 30, 2004:

PERIOD	TOTAL NUMBER OF SHARES PURCHASED	AVERAGE PRICE PAID PER SHARE	TOTAL NUMBER OF SHARES PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS	MAXIMUM NUMBER OF SHARES THAT MAY YET BE PURCHASED UNDER THE PLANS (1)
1/1/04 - 1/31/04	-	-	-	1,155,054
2/1/04 - 2/29/04	500	$ 21.68	500	1,154,554
3/1/04 - 3/31/04	-	-	-	1,154,554
4/1/04 - 4/30/04	28,130	$ 21.26	28,130	1,126,424
5/1/04 - 5/31/04	189,189	$ 21.21	189,189	937,235
6/1/04 - 6/30/04	133,512	$ 21.99	133,512	803,723
Total	351,331	$ 21.51	351,331	

(1) On July 22, 2002, we announced that our Board of Directors had approved a share repurchase program, pursuant to which up to 1,000,000 shares of our common stock may be repurchased. On April 23, 2003, we announced the Board of Directors had approved a share repurchase program, pursuant to which an additional 1,000,000 shares of our common stock may be repurchased. On January 26, 2004, the Board of Directors approved a resolution to combine the July 22, 2002 and April 23, 2003 repurchase programs. At that time, the available shares for repurchase under the July 22, 2002 program totaled 155,054 shares and there were 1,000,000 shares available for repurchase under the April 23, 2003 program, resulting in an aggregate number of shares available for repurchase to 1,155,054 shares. The repurchase program has no set expiration or termination date.

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 4, 2004. At the Annual Meeting, stockholders approved the following:

1) A proposal to fix the number of directors to sixteen. There were 25,568,437 votes cast for the proposal, 546,526 votes cast against the proposal, and 245,568 abstentions.

2) The following directors were elected with terms expiring at the 2007 annual meeting of stockholders:

Daryl R. Forsythe: 25,783,748 votes for election; 576,783 votes withheld.
William C. Gumble: 25,637,253 votes for election; 723,279 votes withheld.
William L Owens: 22,956,764 votes for election; 3,403,768 votes withheld.
Van Ness D. Robinson: 25,598,498 votes for election; 762,034 votes withheld.
Patricia T. Civil: 25,893,880 votes for election; 466,651 votes withheld.

Continuing directors with terms expiring in 2006

Andrew S. Kowalczyk, Jr.
John C. Mitchell
Joseph G. Nasser
Michael H. Hutcherson
Michael M. Murphy

Continuing directors with terms expiring in 2005

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

Item 5 -- Other Information

On July 26, 2004, NBT Bancorp Inc. announced the declaration of a regular quarterly cash dividend of $0.19 per share. The cash dividend will be paid on September 15, 2004 to stockholders of record as of September 1, 2004.

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

(a) Exhibits

3.1 Certificate of Incorporation of NBT Bancorp Inc. as amended through July 23, 2001 (filed as Exhibit 3.1 to Registrant's Form 10-K for the year ended December 31, 2001, filed on March 29, 2002 and incorporated herein by reference).

3.2 By-laws of NBT Bancorp Inc. as amended and restated through July 23, 2001 (filed as Exhibit 3.2 to Registrant's Form 10-K for the year ended December 31, 2001, filed on March 29, 2002 and incorporated herein by reference).

3.3 Rights Agreement, dated as of November 15, 1994, between NBT Bancorp Inc. and American Stock Transfer Trust Company as Rights Agent (filed as Exhibit 4.1 to Registrant's Form 8-A, file number 0-14703, filed on November 25, 1994, and incorporated by reference herein).

3.4 Amendment No. 1 to Rights Agreement, dated as of December 16, 1999, between NBT Bancorp Inc. and American Stock Transfer Trust Company as Rights Agent (filed as Exhibit 4.2 to Registrant's Form 8-A/A, file number 0-14703, filed on December 21, 1999, and incorporated by reference herein).

3.5 Amendment No. 2 to Rights Agreement, dated as of April 19, 2000, between NBT Bancorp Inc. and American Stock Transfer Trust Company as Rights Agent (filed as Exhibit 4.3 to Registrant's Form 8-A12G/A, file number 0-14703, filed on May 25, 2000, and incorporated by reference herein).

31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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

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

(b) During the quarter ended June 30, 2004, the Company filed the following Current Reports on Form 8-K:

The Company filed a Current Report on Form 8-K dated April 27, 2004, which contained a press release announcing financial results for the quarter ended March 31, 2004 and a dividend declaration of $0.19 per share to be paid on June 15, 2004 to stockholders of record as of June 1, 2004.

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 6th day of August 6, 2004.

NBT BANCORP INC.

By: /s/ MICHAEL J. CHEWENS

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

EXHIBIT 31.1

CERTIFICATIONS

I, Daryl R. Forsythe, certify that:

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

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

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

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

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

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

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

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

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

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

Date: August 6, 2004

By: /s/ Daryl R. Forsythe

Chairman and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Michael J. Chewens, certify that:

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

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

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

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

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

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

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

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

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

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

Date: August 6, 2004

By: /s/ Michael J. Chewens

Senior Executive Vice President,
Chief Financial Officer and
Corporate Secretary

EXHIBIT 32.1

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

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

(a) the Form 10-Q of the Company for the Quarterly Period Ended June 30, 2004, 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 6, 2004

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

EXHIBIT 32.2

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

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

(a) the Form 10-Q of the Company for the Quarterly Period Ended June 30, 2004, 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 6, 2004

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.