

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended June 30, 1996.

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

(State of Incorporation)

16-1268674

(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)-337-6000

Indicate by check mark whether the Registrant (1) has filed all reports  
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  No

As of July 31, 1996, there were 8,442,314 shares outstanding, including  
459,358 shares held in the treasury, of the Registrant's common stock,  
No Par, Stated Value \$1.00. There were no shares of the Registrant's  
preferred stock, No Par, Stated Value \$1.00, outstanding at that date.

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NBT BANCORP INC. and Subsidiary CONSOLIDATED BALANCE SHEETS	June 30, 1996	December 31, 1995	June 30, 1995
(dollars in thousands)	(Unaudited)	(See Notes)	(Unaudited)
<b>ASSETS</b>			
Cash and due from banks	\$ 38,721	\$ 44,379	\$ 45,531
Federal funds sold	15,211	-	-
Loans available for sale	3,398	6,089	4,867
Securities available for sale	364,971	393,536	130,621
Securities held to maturity (market value-\$45,739, \$40,306 and \$260,993)	45,744	40,311	259,825
Loans:			
Commercial and agricultural	266,609	247,320	227,654
Real estate mortgage	120,168	120,972	127,279
Consumer	234,094	220,093	217,325
Total loans	620,871	588,385	572,258
Less allowance for loan losses	9,438	9,120	9,280
Net loans	611,433	579,265	562,978
Premises and equipment, net	16,491	16,467	15,585
Intangible assets, net	10,743	11,551	9,232
Other assets	17,931	14,668	16,083
<b>TOTAL ASSETS</b>	<b>\$1,124,643</b>	<b>\$1,106,266</b>	<b>\$1,044,722</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Deposits:			
Interest bearing	\$ 765,339	\$ 741,805	\$ 705,769
Noninterest bearing	110,071	131,227	124,477
Total deposits	875,410	873,032	830,246
Short-term borrowings	138,578	115,945	103,225
Long-term debt	3,008	3,012	3,730
Other liabilities	6,389	6,233	5,669
Total liabilities	1,023,385	998,222	942,870
Commitments and contingencies			
Stockholders' equity:			
Preferred stock, no par, stated value \$1.00; shares authorized-2,500,000	-	-	-
Common stock, no par, stated value \$1.00; shares authorized-12,500,000; issued 8,442,314, 8,442,314 and 8,452,099	8,442	8,442	8,050
Capital surplus	75,464	75,464	69,209
Retained earnings	27,623	24,076	27,655
Unrealized gain (loss) on securities available for sale, net of income tax effect	(3,728)	2,822	(1,106)
Common stock in treasury at cost, 395,779, 170,275, and 121,473 shares	(6,543)	(2,760)	(1,956)
Total stockholders' equity	101,258	108,044	101,852
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$1,124,643</b>	<b>\$1,106,266</b>	<b>\$1,044,722</b>

See notes to consolidated financial statements.

NBT BANCORP INC. and Subsidiary CONSOLIDATED STATEMENTS OF INCOME	Three months ended June 30,		Six months ended June 30,	
	1996	1995	1996	1995
(dollars in thousands, except per share amounts) (Unaudited)				
Interest and fee income:				
Loans and loans available for sale	\$14,089	\$13,399	\$27,784	\$25,766
Securities - taxable	6,354	5,336	12,299	10,488
Securities - tax exempt	348	349	696	741
Other	24	59	39	90
Total interest and fee income	20,815	19,143	40,818	37,085
Interest expense:				
Deposits	7,816	7,217	15,766	13,828
Short-term borrowings	1,111	1,221	1,751	2,440
Long-term debt	80	128	160	279
Total interest expense	9,007	8,566	17,677	16,547
Net interest income	11,808	10,577	23,141	20,538
Provision for loan losses	700	508	1,300	838
Net interest income after provision for loan losses	11,108	10,069	21,841	19,700
Noninterest income:				
Trust income	655	643	1,309	1,305
Service charges on deposit accounts	799	747	1,574	1,478
Securities gains	219	11	1,011	11
Other income	394	353	757	727
Total noninterest income	2,067	1,754	4,651	3,521
Noninterest expense:				
Salaries and employee benefits	4,289	3,950	8,741	7,974
Net occupancy expense	624	586	1,298	1,189
Equipment expense	441	424	903	835
FDIC insurance	-	452	1	903
Amortization of intangible assets	395	314	790	629
Other operating expense	2,887	2,509	5,489	5,118
Total noninterest expense	8,636	8,235	17,222	16,648
Income before income taxes	4,539	3,588	9,270	6,573
Income taxes	1,802	1,367	3,622	2,445
Net income	\$ 2,737	\$ 2,221	\$ 5,648	\$ 4,128
Net income per common share	\$ 0.34	\$ 0.26	\$ 0.69	\$ 0.48
Cash dividends per common share	\$ 0.130	\$ 0.114	\$ 0.260	\$ 0.228
Average common shares outstanding	8,140,132	8,422,921	8,205,747	8,438,431

See notes to consolidated financial statements.

NBT BANCORP INC. and Subsidiary  
CONSOLIDATED STATEMENTS OF CASH FLOWS

Six Months Ended June 30,  
1996 1995

(dollars in thousands)

(Unaudited)

Operating activities:

Net income	\$ 5,648	\$ 4,128
Adjustments to reconcile net income to the cash provided by operating activities:		
Provision for loan losses	1,300	838
Depreciation and amortization	764	743
Amortization of premiums and accretion of discounts on securities	6	(60)
Amortization of intangible assets	790	629
Proceeds from sales of loans originated for sale	3,248	10,074
Loans originated for sale	(2,332)	(5,091)
Realized gains on sales of securities	(1,011)	(11)
Decrease in interest receivable	440	1,068
Increase (decrease) in interest payable	(124)	328
Payments of restructuring liabilities	-	(941)
Other, net	2,142	889

Net cash provided by operating activities 10,871 12,594

Investing activities:

Securities available for sale:		
Proceeds from maturities	20,352	17,475
Proceeds from sales	98,599	1,011
Purchases	(101,480)	(35,390)
Securities held to maturity:		
Proceeds from maturities	13,322	38,402
Purchases	(18,755)	(25,586)
(Increase) decrease in loans	(31,693)	1,876
Purchase of premises and equipment, net	(788)	(947)

Net cash used in investing activities (20,443) (3,159)

Financing activities:

Net increase in deposits	2,378	38,803
Net increase (decrease) in short-term borrowings with original maturities of three months or less	22,633	(37,363)
Repayments of long-term debt	(4)	(5,004)
Common stock issued, including treasury shares reissued	1,230	3,232
Purchase of treasury stock	(4,987)	(5,063)
Cash dividends and payment for fractional shares	(2,125)	(1,919)

Net cash provided by financing activities 19,125 (7,314)

Net increase (decrease) in cash and cash equivalents 9,553 2,121

Cash and cash equivalents at beginning of year 44,379 43,410

Cash and cash equivalents at end of period \$ 53,932 \$ 45,531

Supplemental disclosure of cash flow information:

Cash paid during the period for:		
Interest	\$ 17,801	\$ 16,219
Income taxes	2,872	1,168

Noncash investing activity:

Transfer of loans available for sale to loans	1,775	-
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See notes to consolidated financial statements.

#### BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements include the accounts of NBT BANCORP INC. (the Registrant or NBT) and its wholly-owned subsidiary, NBT Bank, National Association (Bank). All intercompany transactions have been eliminated in consolidation. Certain amounts previously reported in the financial statements have been reclassified to conform with the current presentation.

The determination of the allowance for loan losses is a material estimate that is particularly susceptible to significant change in the near term. In connection with the determination of the allowance for loan losses management obtains independent appraisals for significant properties.

Net income per common share is computed based on the weighted average number of common shares and common share equivalents outstanding during each period after giving retroactive effect to stock dividends. Cash dividends per common share are computed based on declared rates adjusted retroactively for stock dividends.

The balance sheet at December 31, 1995 has been derived from audited financial statements at that date. The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles 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 generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six month period ended June 30, 1996 are not necessarily indicative of the results that may be expected for the year ending December 31, 1996. For further information, refer to the consolidated financial statements and footnotes thereto included in the Registrant's annual report on FORM 10-K for the year ended December 31, 1995.

#### RECENT ACCOUNTING PRONOUNCEMENTS AND DEVELOPMENTS

The Registrant adopted SFAS No. 122, "Accounting for Mortgage Servicing Rights" on January 1, 1996 on a prospective basis. SFAS 122 requires the recognition as separate assets rights to service mortgage loans for others, however those servicing rights are acquired, and also requires capitalized mortgage servicing rights to be assessed for impairment based on the fair value of those rights. The adoption of SFAS 122 did not have a material impact on the Registrant's financial condition or results of operations.

On January 1, 1996 the Registrant adopted SFAS No. 123, "Accounting for Stock-Based Compensation," which establishes a fair value based method of determining compensation cost for grants of stock options under stock-based compensation plans. SFAS No. 123 permits entities to expense an estimated fair value of employee stock options or to continue to measure compensation cost for these plans using the intrinsic value contained in Accounting Principals Board Opinion No. 25 (APB 25). Under APB 25 compensation cost is the excess, if any, of the quoted market price of the stock at the date of grant over the amount employees must pay to acquire it. The Registrant has elected to continue accounting for these plans under the intrinsic value method of accounting for stock-based compensation plans. Additionally, the Registrant will present pro forma footnote disclosures of net income and net income per share, as if a fair value based method had been applied, upon the presentation of a complete set of financial statements, which would generally be prepared as of the end of its fiscal year, as required by SFAS No. 123.

#### COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of business, various commitments and contingent liabilities arise, including commitments to extend credit and standby letters of credit. Also, off-balance sheet financial instruments such

as interest rate swaps, forward contracts, futures, options on financial futures, and interest rate caps, collars and floors bear risk based on financial market conditions. The following table summarizes the Registrant's exposure to these off-balance sheet commitments and contingent liabilities as of June 30, 1996:

	Contractual or Notional Value at June 30, 1996
Financial instruments with off-balance sheet credit risk:	
Commitments to extend credit	\$100,788,000
Standby letters of credit	2,022,000
Financial instruments with off-balance sheet market risk	None

The purpose of this discussion is to focus on material information about the Registrant's financial condition and results of operations. Reference should be made to the Registrant's consolidated financial statements and footnotes thereto included in this FORM 10-Q as well as to the Registrant's 1995 FORM 10-K for an understanding of the following discussion and analysis. The Registrant has a long history of distributing stock dividends; in December, 1995 a 5% stock dividend was distributed for the thirty-sixth consecutive year. Throughout this discussion and analysis, amounts per common share have been adjusted retroactively for stock dividends and splits for purposes of comparability.

#### HIGHLIGHTS OF THE REGISTRANT'S 1996 PERFORMANCE

Net income of \$2.7 million (\$0.34 per share) was realized in the second quarter of 1996, representing a 23% increase from second quarter 1995 net income of \$2.2 million (\$0.26 per share). One of the major contributing factors for the increase in net income was increased net interest income. Higher earnings on assets, driven by increased volumes of loans and securities depicted in the table AVERAGE BALANCES, exceeded liability cost increases, also driven by increased volume during the second quarter of 1996. Increased security gains during the second quarter of 1996 also contributed to the improved profitability. Offsetting these favorable increases in income were an increased provision for loan losses, as net charge-offs increased in 1996, increased noninterest expenses as depicted in the table NONINTEREST EXPENSE AND PRODUCTIVITY MEASUREMENTS and increased income tax expense. Measurements of productivity improved in 1996 from the comparable second quarter and six month periods of 1995 and second quarter 1996 productivity measurements improved from those of the first quarter of 1996.

Net income of \$5.6 million (\$0.69 per share) was realized for the six month period ended June 30, 1996, a 37% increase from 1995 six month net income of \$4.1 million (\$0.48 per share). The increased profitability for the six month period of 1996 was driven by factors similar to those for the second quarter of 1996. Additionally, reducing interest income during 1995 was a \$0.5 million nonrecurring charge to write-off accrued interest income receivable on nonaccrual or previously charged-off loans.

The table PERFORMANCE MEASUREMENTS depicts several measurements of performance on an annualized basis. Return on average assets and equity measures how effectively an entity utilizes its total resources and capital, respectively. The return on average assets and the return on average equity ratios, as well as net interest margin, increased in 1996 from the comparable second quarter and six month periods of 1995.

Net interest margin, net federal taxable equivalent (FTE) interest income divided by average interest earning assets, is a measure of an entity's ability to utilize its earning assets in relation to the interest cost of funding. Taxable equivalency adjusts income by increasing tax exempt income to a level that is comparable to taxable income before federal taxes are applied. The positive trend in net interest margin is critical to the improved profitability of the Registrant.

PERFORMANCE MEASUREMENTS

	First Quarter	Second Quarter	Six Months	Third Quarter	Fourth Quarter	Twelve Months
-----						
1996						
Return on average assets	1.09%	0.99%	1.04%			
Return on average common equity	10.94%	10.90%	10.92%			
Net interest margin	4.66%	4.64%	4.65%			
-----						
1995						
Return on average assets	0.76%	0.87%	0.81%	1.00%	0.95%	0.90%
Return on average common equity	7.83%	8.79%	8.32%	10.28%	9.74%	9.18%
Net interest margin	4.30%	4.49%	4.40%	4.54%	4.40%	4.43%
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FINANCIAL CONDITION

The table AVERAGE BALANCES highlights the changes in the balance sheet. Since period end balances can be distorted by one day fluctuations, the discussion and analysis concentrates on average balances when appropriate to give a better indication of balance sheet trends.

AVERAGE BALANCES

(dollars in thousands)	Three months		Six months	
	1996	1995	1996	1995
-----				
Securities available for sale	\$ 382,110	\$ 118,864	\$ 372,608	\$ 112,009
Securities held to maturity	43,496	265,934	42,006	269,242
-----				
Total securities	425,606	384,798	414,614	381,251
Loans available for sale	4,602	6,110	5,204	7,025
Loans	607,288	567,034	599,015	567,634
Deposits	910,351	830,103	906,663	826,449
Short-term borrowings	88,652	81,009	68,992	83,528
Long-term debt	3,009	6,314	3,010	7,518
Stockholders' equity	100,974	101,401	104,026	100,103
Assets	1,110,296	1,024,655	1,090,098	1,023,235
Earning assets	1,043,000	961,530	1,020,026	960,884
Interest bearing liabilities	\$ 891,699	\$ 797,539	\$ 857,941	\$ 798,394
-----				

Loans: Average loans for the second quarter and six month period of 1996 increased \$40 million and \$31 million, or 7% and 6%, respectively, from the comparable periods of the previous year. The increase in the portfolio volume occurred in commercial loans. Real estate loans decreased as the volume of mortgage refinancing and new mortgage loan origination has diminished in response to interest rate increases. Commercial, consumer and real estate loans comprised 43%, 37%, and 20% of the average portfolio for the six months ended June 30, 1996. Comparable measures for a year previous were 38%, 39%, and 23%.

Allowance and provision for loan losses: The allowance for loan losses is a valuation allowance offset against total loans which has been established to provide for the estimated possible losses related to the collection of the Bank's loan portfolio. The allowance is maintained at a level considered adequate to provide for loan loss exposure based on management's estimate of potential future losses considering an evaluation of portfolio risk, prevailing and anticipated economic factors, and past loss experience. Management determines the provision and allowance for loan losses based on a number of factors including a comprehensive in-house loan review program conducted throughout the year. The loan portfolio is continually evaluated in order to identify potential problem loans, credit concentration, and other risk factors such as current and projected economic conditions locally and nationally. The levels of risk for which allowances are established are based on estimates of losses on larger specifically identified loans, and on loan categories analyzed in total where, based on past experience, risk factors can be assessed. General economic trends can

greatly affect loan losses and there are no assurances that further changes to the allowance for loan losses may not be significant in relation to the amount provided during a particular period. Management does, however, consider the allowance for loan losses to be adequate for the reporting periods based on evaluation and analysis of the loan portfolio.

The table entitled ALLOWANCE FOR LOAN LOSSES portrays activity for the periods presented. The allowance is increased by provisions for losses charged to operations and is reduced by net charge-offs, the amount of loans written off as uncollectible less recoveries of loans previously written off. Charge-offs are made when the collectibility of loan principal within a reasonable time is unlikely. Any recoveries of previously charged-off loans are credited directly to the allowance for loan losses. Net charge-offs have increased from the prior year's comparable periods both as a dollar amount and as a percentage of average loan balances. Net charge-offs also have increased from the full year 1995 measure as a percentage of average loan balances. These increases are primarily due to commercial loan charge-offs caused by the sustained period of sluggish economic conditions continuing to be experienced in northern and central New York State. The provision for loan losses increased by \$0.2 million, 38%, for the second quarter of 1996 from the comparable period a year ago. The provision for the six month period of 1996 reflects a similar increase, \$0.5 million, 55% from the comparable period a year ago.

Nonperforming is a term used to describe assets on which revenue recognition has been discontinued or is restricted. As depicted in the table, NONPERFORMING ASSETS AND RISK ELEMENTS, nonaccrual loans have remained relatively static due to the previously mentioned economic conditions occurring in the Bank's market area. The allowance for loan losses has been allocated based on identified problem credits or categorical trends and includes a specifically allocated amount of \$1.2 million related to impaired loans. After allocation, the unallocated portion at June 30, 1996, was approximately \$2 million. The unallocated portion is available for further unforeseen or unexpected losses or unidentified problem credits. Management will continue to target and maintain a minimum allowance equal to the allocated requirement plus an unallocated portion, as appropriate.

ALLOWANCE FOR LOAN LOSSES

(dollars in thousands)	Three months ended June 30,		Six months ended June 30,	
	1996	1995	1996	1995
Balance, beginning of period	\$9,173	\$9,038	\$9,120	\$9,026
Recoveries	300	189	462	395
Charge-offs	(735)	(455)	(1,444)	(979)
Net charge-offs	(435)	(266)	(982)	(584)
Provision for loan losses	700	508	1,300	838
Balance, end of period	\$9,438	\$9,280	\$9,438	\$9,280

COMPOSITION OF NET CHARGE-OFFS

Commercial and agricultural	\$ (243)	56%	\$ (84)	32%	\$ (496)	51%	\$ (195)	33%
Real estate mortgage	(71)	16%	(49)	18%	(83)	8%	(52)	9%
Consumer	(121)	28%	(133)	50%	(403)	41%	(337)	58%
Net (charge-offs) recoveries	\$ (435)	100%	\$ (266)	100%	\$ (982)	100%	\$ (584)	100%
Annualized net charge-offs to average loans		0.29%		0.19%		0.33%		0.21%
Annualized net charge-offs to average loans for the year ended December 31, 1995								0.25%

Asset Quality: NBT has maintained its focus on sound credit quality in the loan portfolio, reflecting conservative lending practices and policies. The measurement of asset quality is the responsibility of the Registrant's loan review function which also determines the adequacy of the allowance for loan losses. Loan review utilizes a loan rating system to rate substantially all of its loans based on risks which

include internal loan classifications, historical analysis of prior period charge-offs, and evaluation of expected losses on internally classified credits. Loan ratings are continually reviewed to determine their propriety. Reporting separately from the loan review function, the banking and credit function is responsible for lending credit policy, systems and procedures, collections, recovery and workout policies and systems.

Classified and special mention loans, excluding those on nonaccrual status, totalled \$24.2 million, \$27.6 million, and \$26.0 million, 4.2%, 4.7%, and 4.2% of outstanding loans, at June 30, 1996, December 31, 1995 and June 30, 1995, respectively. A significant portion of the outstanding balances are secured with various forms of collateral. In this regard, management has determined that there are no material adverse trends or material potential losses not already considered in the allowance calculation, nor indications of trends or events that would have a material effect on the Registrant's operations, capital or liquidity. The Registrant does not have any material loans classified as doubtful or loss and the loan portfolio does not contain any highly leveraged or foreign loans. A substantial portion of the Registrant's loans are secured by real estate located in central and northern New York State. Accordingly, the ultimate collectibility of a substantial portion of the Registrant's portfolio is susceptible to changes in real estate market conditions in those areas.

The Bank's classification of a loan as a nonaccruing loan is based in part on bank regulatory guidelines. Accrual of interest is discontinued if the loan is placed on nonaccrual status. Nonaccrual classification does not mean that the loan principal will not be collected; rather, that timely collection of interest is doubtful. When, in the opinion of management the collection of principal appears unlikely, the loan balance is charged-off in total or in part. Loans are transferred to a nonaccrual basis generally when principal or interest payments become ninety days delinquent, unless the loan is well secured and in the process of collection or when management concludes circumstances indicate that borrowers may be unable to meet contractual principal or interest payments. When a loan is transferred to a non-accrual status, any unpaid accrued interest is reversed and charged against income. Interest income on non-accruing loans is recognized on a cash basis, only when cash payments are received which are not applied to principal.

Management, considering current information and events regarding the borrower's ability to repay the obligation, considers a loan to be impaired when it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. When a loan is considered to be impaired, the amount of the impairment is measured based on the present value of expected future cash flows discounted at the loans effective interest rate or, as a practical expedient, at the loans observable market price or the fair value of collateral if the loan is collateral dependant. Impairment losses are included in the allowance for loan losses through a charge to the provision for loan losses.

Payments received on nonaccrual and impaired loans are first applied to principal. Depending on management's assessment of the ultimate collectibility of the loan, interest income may be recognized on a cash basis. Nonaccrual loans are restored to an accrual status when management determines that the financial condition of the borrower has improved significantly to the extent that there has been a sustained period of repayment performance so that the loan is brought current and the collectibility of both interest and principal appears assured.

As depicted in the table, NONPERFORMING ASSETS AND RISK ELEMENTS, nonperforming assets (NPA) have decreased during 1996. The decrease was attributable to reductions in commercial and agricultural nonaccrual loans and other real estate owned (OREO) which was partially offset by increased nonaccrual real estate mortgages, whose collateral value supports continuation as assets, as well as increased nonaccrual consumer loans.

The decrease in nonaccrual commercial and agricultural loans was driven by the repayment of several loans totalling \$0.4 million upon the sale of the underlying collateral and the return to accrual status, under the Registrant's policy previously discussed, of two loans totalling \$0.6 million, as depicted in the table CHANGES IN NONACCRUAL AND IMPAIRED LOANS. As depicted in the table, CHANGES IN OREO, the decrease

in OREO occurred as the Registrant disposed of foreclosed real estate carried in this category.

The Registrant did not hold any restructured loans, loans whose repayment criteria was renegotiated to less than the original agreement terms because of the borrower's financial difficulties, which were not in compliance with the modified terms at June 30, 1996, December 31, 1995, and June 30, 1995. Loans 90 days past due and not included in nonperforming loans have decreased in all categories during 1996.

NONPERFORMING ASSETS AND RISK ELEMENTS

(in thousands)	June 30, 1996		December 31, 1995		June 30, 1995	
Impaired commercial and agricultural loans	\$3,571	76%	\$3,945	82%	\$3,547	81%
Other nonaccrual loans:						
Real estate mortgage	\$ 492	11%	\$ 332	7%	\$ 502	11%
Consumer	606	13%	540	11%	353	8%
Total nonaccrual loans	4,669	100%	4,817	100%	4,402	100%
Other real estate owned	986		2,000		1,095	
Total nonperforming assets	5,655		6,817		5,497	
Loans 90 days or more past due and still accruing:						
Real estate mortgage	360	45%	448	34%	265	23%
Commercial and agricultural	285	35%	559	42%	688	59%
Consumer	159	20%	325	24%	217	18%
Total	\$ 804	100%	\$1,332	100%	\$1,170	100%
Restructured loans, in compliance with modified terms:						
Commercial and agricultural	-		142		-	
Total assets containing risk elements	\$6,459		\$8,291		\$6,667	
Nonperforming loans to total loans	0.75%		0.82%		0.77%	
Nonperforming assets to total assets	0.50%		0.62%		0.53%	
Allowance for loan losses to nonperforming loans	202%		189%		211%	
Allowance as a percentage of period end loans	1.52%		1.55%		1.62%	

Charge-offs flowing through the allowance for loan losses depicted in the table CHANGES IN NONACCRUAL AND IMPAIRED LOANS represent gross charge-offs taken against nonaccrual loans; excluded are charge-offs taken against accruing loans and interest reversals. When real estate collateralizing a loan is foreclosed, the difference between the fair value of the collateral property, reflected as additions in the table CHANGES IN OREO, and the book value of the loan, if any, is charged-off through the allowance for loan losses. Any subsequent write-downs due to a decline in the fair value of the OREO property after foreclosure is reflected in noninterest expense.

CHANGES IN NONACCRUAL AND IMPAIRED LOANS

(in thousands)	Three months ended June 30,		Six months ended June 30,	
	1996	1995	1996	1995
Balance at beginning of period	\$5,431	\$4,495	\$4,817	\$4,639
Loans placed on nonaccrual	1,622	648	3,660	1,379
Charge-offs	(431)	(203)	(879)	(392)
Payments	(1,223)	(538)	(2,082)	(841)
Transfers to OREO	(138)	-	(255)	(383)
Loans returned to accrual	(592)	-	(592)	-
Balance at end of period	\$4,669	\$4,402	\$4,669	\$4,402

CHANGES IN OREO

(in thousands)	Three months ended June 30,		Six months ended June 30,	
	1996	1995	1996	1995
Balance at beginning of period	\$1,989	\$1,189	\$2,000	\$ 840
Additions	150	-	267	383
Sales	(1,056)	(78)	(1,103)	(91)
Write-downs	(97)	(16)	(178)	(37)
Balance at end of period	\$ 986	\$1,095	\$ 986	\$1,095

Securities: The total average balance of securities available for sale and held to maturity for the three month period ending June 30, 1996 increased \$41 million, or 11%, from the comparable period a year ago. A similar increase, \$33 million, or 9%, occurred for the six month period ending June 30, 1996 compared to the comparable period of 1995. This increase occurred as the Bank utilized its ability to leverage its securities portfolio through the use of borrowed funds to improve net interest income. The Registrant holds no trading securities, securities bought for the purpose of sale in the near term. The Registrant classifies securities as available for sale or held to maturity at the time of purchase. Classification is determined by potential responses to changes in interest rates, prepayment risk, and liquidity needs for an indefinite period of time, and the intent, supported by the ability, to hold the security to its maturity. Generally accepted accounting principles limit the reclassification of securities after the initial determination.

Concurrent with the adoption, on December 1, 1995, of the FASB publication "A Guide to Implementation of Statement 115 on Accounting for Certain Investments in Debt and Equity Securities" (Guide), the Registrant was permitted to reassess the appropriateness of the classifications of all securities held at that time and implement reclassification without calling into question the intent of the Registrant to hold other debt securities to maturity in the future. The Registrant transferred U.S. Treasury, Federal Agency, and Mortgage-backed securities with amortized costs totalling \$217.2 million, having fair values totalling \$220.7 million, from the held to maturity portfolio to the available for sale portfolio. As required by the Guide, financial statements prior to adoption were not restated.

At June 30, 1996, the amortized cost of securities available for sale, \$371 million, exceeded fair value by \$6 million of market depreciation while at December 31, 1995, the fair value of \$394 million exceeded amortized cost by \$5 million of market appreciation. This depreciation in fair value has been caused predominately by increases in interest rates which tends to have an opposite effect on the fair value of securities. At June 30, 1995, the amortized cost of securities available for sale, \$132 million, exceeded fair value by \$1 million of market depreciation. Throughout 1996 and 1995, most financial institutions experienced similar patterns of variations in the fair value of securities due to general changes in interest rates.

Tax-exempt securities averaged \$29 million, or 8% of the securities portfolio, for the six month period ended June 30, 1996 and \$33 million, or 9% of the securities portfolio, for the comparable period of 1995. Obligations of the State of New York and its political subdivisions constitute 100% of the Bank's tax exempt securities portfolio. The portfolio did not include any direct obligations of the State of New York as the entire tax exempt securities portfolio was comprised of nonrated investments in the local communities within the twenty county market area served by the Bank's Municipal Banking Department. It remains the Registrant's practice to invest, subject to availability, in qualified and designated local municipal issues which receive favorable federal income tax treatment. The Registrant highly values its business relationships with a variety of municipalities within its local service area and meeting their funding needs through investment in their security issues is a meaningful way to develop such business relationships.

Deposits: Average total deposits for the quarter ended June 30, 1996, increased \$80 million, or 10%, from the comparable period in 1995. Average total deposits for the six months ended June 30, 1996 also

increased \$80 million or 10%, from the comparable period in 1995. The acquisition of three branches in December 1995 and their deposit base of \$43 million is a major cause of this increase. Average municipal and negotiated term certificates of deposit increased \$25 million, or 20%, and \$25 million, or 21%, for the second quarter and for the first six months of 1996, respectively, compared to the similar periods of 1995. Municipal deposits tend to flow into the Bank as taxes are collected and flow out as the municipalities make payments over time. These deposits can be utilized to augment short-term borrowings when interest rates and security pledging requirements render this temporary substitution beneficial.

Throughout 1995 trends in the deposit portfolio shifting were experienced as increases occurred in the certificate of deposit component of the portfolio while demand, NOW, MMDA, and savings account balances decreased as funds in these lower yielding products were moved to higher yielding certificates as rates rose. This trend has stabilized in the first six months of 1996. For the six months ending June 30, 1996, approximately 46% of the portfolio consisted of time deposits, 18% savings deposits, 12% money market demand deposits, 11% interest bearing NOW checking deposits, and 13% noninterest bearing demand deposits. Comparable 1995 portfolio percentages were 43%, 19%, 14%, 10%, and 14%.

Borrowed funds: Short-term borrowings include federal funds purchased, securities sold under agreements to repurchase, and other short-term borrowings, which consist primarily of FHLB advances with an original maturity of one year or less. Borrowed funds averaged \$92 million for the three month period ending June 30, 1996, up \$4 million or 5%, from the comparable period of 1995. Borrowed funds averaged \$72 million for the six month period ending June 30 1996, down \$19 million, or 21%, from the comparable period of 1995 due to the additional funding provided by increased deposits in 1996.

#### LIQUIDITY AND INTEREST RATE SENSITIVITY MANAGEMENT

Liquidity management requires the ability to raise cash quickly at a reasonable cost without principal loss to meet the cash flow requirements of depositors desiring to withdraw funds or borrowers requiring funds to meet their credit needs. The Asset-Liability Management Committee of the Registrant is responsible for liquidity management. This committee of the Registrant's senior staff has developed liquidity guidelines which cover all assets and liabilities, as well as off-balance sheet items that are potential sources or uses of liquidity. The Registrant's funding needs are evaluated continually, measuring the adequacy of reliable sources of cash relative to the stability of deposits and borrowing capacity. The liquidity position is managed by maintaining adequate levels of liquid assets. The committee monitors the Registrant's liquidity position utilizing an internally developed measurement, the basic surplus ratio, defined to be net access to cash and secured borrowings. At June 30 and December 31, 1995 and June 30, 1996 this ratio was 19%, 17%, and 7%, respectively, exceeding the committee's minimum guideline of 5-7%. Additional liquidity is available through the Bank's access to borrowed funds. The Bank has unused lines of credit available for short-term financing of \$48 million, \$281 million for repurchase agreements, and the capacity for additional FHLB advances of \$49 million, at June 30, 1996.

Interest rate risk is determined by the relative sensitivities of earning asset yields and interest bearing liability rates to changes in interest rates. The Registrant utilizes a funding matrix to identify repricing opportunities, the ability to adjust loan and deposit product rates as well as cash flow from maturities and repayments, along a time line for both assets and liabilities. The funding matrix indicates that the Registrant is asset sensitive and, in management's opinion, is positioned to benefit over time from a rising interest rate environment; however, the nature and timing of the benefit will be initially impacted by the extent to which core deposit rates are increased as rates rise. Based on an analysis performed as of June 30, 1996, given the scenario of a 100 basis point increase or decline in interest rates occurring over an extended time horizon, the Registrant estimated that there would be less than a 2% impact on net interest income relative to a flat rate environment over the next twelve month period.

## CAPITAL RESOURCES AND DIVIDENDS

Stockholders' equity of \$101 million represents 9.0% of total assets at June 30, 1996, compared with \$102 million, or 9.7%, a year previous, and \$108 million, or 9.8%, at December 31, 1995. The decreased dollar amounts and percentage relationships since December 31, 1995 are due to the depreciation in fair value reflected in the mark to market effect of the securities available for sale portfolio and additional shares held in the treasury, partially offset by earnings retention. Similar to the effects experienced by many other financial institutions, the decline in the fair value of the Bank's securities available for sale portfolio in 1996, whose unrealized loss is reflected net of taxes in stockholders' equity, has impacted the equity balances and ratios. The unrealized loss would only be recognized in income if securities available for sale were, in fact, actually sold. It is highly unlikely that the Registrant would require such a sale to meet its liquidity needs. During 1995 the aforementioned unrealized net gain or loss reflected in equity improved from an unrealized net loss at the beginning of the year to a net gain at the end of the year. This change took place in response to market fluctuations primarily caused by changes in interest rates.

Both book and tangible book value, stockholders' equity (less intangible assets) divided by the number of common shares outstanding, depicted in the table below have been affected by the aforementioned 1995 improvement and 1996 decline in the fair value of the securities available for sale portfolio as well as increased holdings of treasury stock. Tangible book value changes in the declining market value time frame are mitigated by the offsetting decrease in intangible assets through amortization.

On a per share basis, cash dividends declared were increased in December 1995 as the Registrant declared a 5% stock dividend in November 1995 followed by a 13% increase in the cash dividend to \$0.13 per share. Cash dividend per share amounts and total cash dividends paid as a percentage of net income are set forth in the following tables. The Board of Directors considers the Registrant's earnings position and earnings potential when making dividend decisions.

The Registrant's wholly owned subsidiary pays cash dividends to the Registrant which are used to fund dividend payments to its stockholders. Certain restrictions exist regarding the ability of the Bank to transfer funds to the Registrant in the form of cash dividends. The approval of the Comptroller of the Currency is required for the Bank to pay dividends in excess of its earnings retained in the current year plus retained net profits for the preceding two years or when the Bank fails to meet certain minimum regulatory capital standards. At June 30, 1996, the Bank has the ability to pay \$10.0 million to the Registrant without obtaining prior regulatory approval. Under the State of Delaware Business Corporation Law, the Registrant may declare and pay dividends either out of accumulated net retained earnings or capital surplus.

Capital is an important factor in ensuring the safety of depositors' accounts. The Registrant remains well capitalized with capital ratios that are significantly in excess of regulatory guidelines. During 1995, the Registrant's wholly owned banking subsidiary earned the highest possible national safety and soundness rating from two national bank rating services, Bauer Financial Services and Veribanc, Inc. Their ratings are based on capital levels, loan portfolio quality, and security portfolio strength.

The Tier 1 Risk-Based Capital Ratio and Total Risk-Based Capital Ratio presented in the table CAPITAL MEASUREMENTS measure the amount of capital in relation to the degree of risk perceived in assets and off-balance sheet exposure. This concept recognizes that certain higher risk assets require more capital to support them than lower risk assets. Both ratios were well in excess of the minimum Regulatory guidelines of 4% and 8%, respectively. Both capital and the degree of risk used to weight assets and off-balance sheet items are defined by bank holding company regulatory agencies. As defined, capital may exclude most intangible assets as well as a portion of the allowance for loan losses in excess of delineated percentages of loan balances. Unrealized gains and losses on securities classified as available for sale, net of the tax effect, for financial reporting purposes are excluded from capital for the computation of capital adequacy ratios. There are limitations for the amount of the allowance for loan losses that can be considered for capital ratios and for the amount of

deferred tax assets that can be used to meet capital requirements. For all periods presented, the Registrant was permitted to include all of its deferred tax assets in its capital ratio computations. Risk factors used to weight assets and off-balance sheet credit equivalent items range from 0% for cash, amounts due from the Federal Reserve and securities issued by the U.S. Treasury to 100% for certain types of loans and securities. Regulations promulgated by bank and bank holding company regulatory agencies are intended primarily for the protection of the Bank's depositors and customers rather than the holders of the Registrant's securities.

The Tier 1 Leverage Ratio compares capital, as defined for regulatory purposes, to quarterly average assets without regard to risk weights and certain intangible assets. This ratio measures the utilization of capital to support the balance sheet and is well in excess of the minimum Regulatory guideline of 4%.

#### CAPITAL MEASUREMENTS

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
-----				
1996				
Tier 1 leverage ratio	8.83%	8.55%		
Tier 1 capital ratio	14.73%	14.29%		
Total risk-based capital ratio	15.98%	15.54%		
Cash dividends as a percentage of net income	36.90%	38.55%		
Per common share:				
Book value	\$12.64	\$12.58		
Tangible book value	\$11.27	\$11.25		
-----				
1995				
Tier 1 leverage ratio	9.19%	9.21%	9.17%	8.80%
Tier 1 capital ratio	16.13%	16.03%	15.71%	15.21%
Total risk-based capital ratio	17.39%	17.28%	16.97%	16.46%
Cash dividends as a percentage of net income	50.50%	43.57%	35.91%	42.85%
Per common share:				
Book value	\$11.95	\$12.23	\$12.42	\$13.06
Tangible book value	\$10.82	\$11.12	\$11.34	\$11.66
-----				

The common shares of NBT BANCORP INC. are traded in the NASDAQ National Market System under the symbol NBTB. High, low, and closing stock prices, and cash dividends declared by quarter, restated to give retroactive effect to stock dividends, are depicted in the table following. At June 30, 1996 the total market capitalization of NBT's common stock was approximately \$135 million, compared with \$129 million a year ago and \$143 million at December 31, 1995. The change in market capitalization is due to an increase in the number of shares outstanding as a result of the December 1995 stock dividend, offset by an increased number of shares held as treasury stock, and changes in the market price.

QUARTERLY COMMON STOCK AND DIVIDEND INFORMATION

Quarter Ending	High	Low	Close	Cash Dividends Declared
-----				
1995				
March 31	\$16.19	\$15.24	\$15.24	\$0.114
June 30	15.71	15.00	15.48	0.114
September 30	15.95	15.00	15.71	0.115
December 31	18.00	15.24	17.50	0.130
-----				
1996				
March 31	\$17.50	\$16.00	\$17.00	\$0.130
June 30	17.50	16.38	16.38	0.130
-----				

RESULTS OF OPERATIONS

Net Interest Income and Net Interest Margin: The most significant impact on the Registrant's net income between periods is derived from the interaction of changes in the volume of and rates earned on interest earning assets and paid on interest bearing liabilities. The volume of earning securities and loans, compared to the volume of interest bearing deposits and borrowings, combined with interest rate spread, produces the changes in the net interest income between periods. Interest rate spread is the difference between FTE yield on average earning assets and cost on average interest bearing liabilities. The table, COMPARATIVE ANALYSIS OF FEDERAL TAXABLE EQUIVALENT NET INTEREST INCOME, presents the relative contribution of changes in average interest rates and average volume of interest earning assets and interest bearing liabilities on FTE net interest income between periods. Changes in interest income and expense arising from the combination of rate and volume variances, which cannot be segregated, are allocated proportionally to rate and volume based on their relative absolute magnitudes.

FTE total interest income and net interest income increased for the second quarter of 1996 compared to the same period of 1995 primarily due favorable volume variances. These favorable variances were predominately driven by increased loan and securities volume. The volume of average earning assets increased from \$962 million for the second quarter of 1995 to \$1,043 million for the same period of 1996.

Total interest expense increased for the second quarter of 1996 compared to the same period of 1995 due to a combination of favorable rate variances and an increased volume of interest bearing liabilities. These variances were predominately driven by increased certificate of deposit volume. The average volume of interest bearing liabilities increased to \$892 million for the second quarter of 1996, compared to \$798 million during the same period a year ago.

The improvement in FTE net interest income for the second quarter of 1996 can be attributed to increased volumes of interest earning assets augmented by decreased rates on interest bearing liabilities as interest rates in general decreased. The combined impact of these favorable forces improved interest rate spread.

FTE total interest income increased for the first six months of 1996 compared to the same period of 1995 due to a combination of favorable rate and volume variances. These favorable variances were predominately driven by increased loan and securities volume and yield. The volume of average earning assets increased from \$961 million for the first six months of 1995 to \$1,020 million for the same period of 1996. Reducing the increased yield for the first six months of 1995 was a nonrecurring write-off of \$0.5 million of accrued interest receivable on loans previously charged-off or on nonaccrual status.

Total interest expense increased for the first six months of 1996 compared to the same period of 1995 primarily due to an increased volume of interest bearing liabilities driven by increased certificate

of deposit volume. The Registrant's mix of deposit products has changed throughout 1995 and 1996 in response to the movement of customer funds into this more costly deposit product as a response to interest rate changes as well as the varying mix of deposits of the three branches acquired in December 1995. As previously discussed, increases in average municipal and negotiated term certificates of deposit also occurred which were used to supplant short-term borrowings when beneficial. The average volume of interest bearing liabilities increased to \$858 million for the first six months of 1996, compared to \$798 million during the same period a year ago.

The improvement in FTE net interest income for the first six months of 1996 can be attributed primarily to increased rates for interest earning assets. The magnitude of rate increase was greater for interest earning assets than for interest bearing liabilities and interest rate spread improved. Favorable volume variances on interest earning assets, partially offset by increased volume variances on interest bearing liabilities, also contributed to the improvement.

Net interest margin has improved from 1995 to 1996 as portrayed in the tables of COMPARATIVE ANALYSES OF FEDERAL TAXABLE EQUIVALENT NET INTEREST INCOME and PERFORMANCE MEASUREMENTS however, the effects of soft loan demand and competitive pricing continue to be reflected in the compressed net interest margin. A strong net interest margin is critical to the ability to cover noninterest expenses and produce an acceptable level of net income. Net interest margin for the first six months of 1995 was 4.40% excluding the effect of the previously mentioned accrued interest receivable write-off which occurred in the first quarter of 1995.

COMPARATIVE ANALYSIS OF FEDERAL TAXABLE EQUIVALENT NET INTEREST INCOME

Three months ended June 30,

Annualized Yield/Rate		(dollars in thousands)	Amounts		Variance		
1996	1995		1996	1995	Total	Volume	Rate
5.12%	4.20%	Interest bearing deposits	\$ 4	\$ 5	\$ (1)	\$ (2)	\$ 1
5.62%	5.76%	Federal funds sold	7	4	3	4	(1)
5.34%	5.94%	Other short-term investments	13	50	(37)	(32)	(5)
6.42%	6.13%	Securities available for sale	6,172	1,814	4,358	4,273	85
9.09%	9.91%	Loans available for sale	104	151	(47)	(35)	(12)
Securities held to maturity:							
5.93%	6.01%	Taxable	190	3,526	(3,336)	(3,279)	(57)
6.95%	6.94%	Tax exempt	530	532	(2)	(3)	1
9.30%	9.38%	Loans	14,021	13,258	763	923	(160)
8.11%	8.07%	Total interest income	21,041	19,340	1,701	1,849	(148)
2.91%	2.88%	Money Market Deposit Accounts	761	773	(12)	(18)	6
1.61%	1.65%	NOW accounts	459	335	124	133	(9)
3.00%	2.95%	Savings accounts	1,202	1,127	75	60	15
5.18%	5.43%	Certificates of deposit	5,394	4,982	412	667	(255)
5.04%	6.05%	Other borrowed funds	1,111	1,221	(110)	108	(218)
10.69%	8.13%	Long-term debt	80	128	(48)	(80)	32
4.06%	4.31%	Total interest expense	9,007	8,566	441	870	(429)
Net interest income			\$12,034	\$10,774	\$ 1,260	\$ 979	\$ 281
4.05%	3.76%	Interest rate spread					
4.64%	4.49%	Net interest margin					
FTE adjustment			\$ 225	\$ 198			

## Six Months Ended June 30,

Annualized Yield/Rate		(dollars in thousands)	Amounts		Variance		
1996	1995		1996	1995	Total	Volume	Rate
4.97%	4.25%	Interest bearing deposits	\$ 9	\$ 10	\$ (1)	\$ (3)	\$ 2
5.79%	5.72%	Federal funds sold	8	8	-	-	-
5.22%	5.94%	Other short-term investments	22	72	(50)	(42)	(8)
6.41%	6.05%	Securities available for sale	11,875	3,426	8,449	8,227	222
8.73%	8.84%	Loans available for sale	226	308	(82)	(79)	(3)
		Securities held to maturity:					
6.91%	6.04%	Taxable	434	7,069	(6,635)	(7,543)	908
7.26%	6.88%	Tax exempt	1,061	1,132	(71)	(135)	64
9.28%	9.06%	Loans	27,625	25,478	2,147	1,429	718
8.13%	7.87%	Total interest income	41,260	37,503	3,757	1,854	1,903
2.93%	2.80%	Money Market Deposit Accounts	1,581	1,576	5	(72)	77
1.80%	1.63%	NOW accounts	908	665	243	166	77
3.01%	2.95%	Savings accounts	2,371	2,294	77	25	52
5.25%	5.28%	Certificates of deposit	10,906	9,293	1,613	1,640	(27)
5.10%	5.89%	Other borrowed funds	1,751	2,440	(689)	(393)	(296)
10.69%	7.48%	Long-term debt	160	279	(119)	(209)	90
4.14%	4.18%	Total interest expense	17,677	16,547	1,130	1,157	(27)
		Net interest income	\$23,583	\$20,956	\$ 2,627	\$ 697	\$1,930
3.99%	3.69%	Interest rate spread					
4.65%	4.40%	Net interest margin					
		FTE adjustment	\$ 442	\$ 418			

## NONINTEREST INCOME

(dollars in thousands)	First Quarter	Second Quarter	Six Months	Third Quarter	Fourth Quarter	Twelve Months
-----						
1996						
Trust income	\$ 654	\$ 655	\$1,309			
Service charges on deposit accounts	775	799	1,574			
Securities gains	792	219	1,011			
Other income	363	394	757			
-----						
Total noninterest income	\$2,584	\$2,067	\$4,651			
-----						
1995						
Trust income	\$ 662	\$ 643	\$1,305	\$ 558	\$ 576	\$2,439
Service charges on deposit accounts	731	747	1,478	757	760	2,995
Securities gains	-	11	11	82	52	145
Other income	374	353	727	389	407	1,523
-----						
Total noninterest income	\$1,767	\$1,754	\$3,521	\$1,786	\$1,795	\$7,102
-----						

Noninterest Income: The table entitled NONINTEREST INCOME presents quarterly and period to date amounts of noninterest income. Second quarter 1996 noninterest income rose from the comparable period of 1995 predominately due to security gains; the Registrant sold U.S. agency mortgage backed securities carried in its available for sale portfolio having amortized costs totalling \$33 million realizing gains totalling \$0.2 million . The Registrant sold U.S. Treasury securities carried in its available for sale portfolio having amortized costs totalling \$66 million realizing gains totalling \$0.8 million during the first quarter of 1996; these transactions lead to the increase in noninterest income for the first six months of 1996.

NONINTEREST EXPENSE AND PRODUCTIVITY MEASUREMENTS

(dollars in thousands)	First Quarter	Second Quarter	Six Months	Third Quarter	Fourth Quarter	Twelve Months
<b>1996</b>						
Salaries and wages	\$3,208	\$3,174	\$ 6,382			
Employee benefits	1,244	1,115	2,359			
Net occupancy expense	674	624	1,298			
Equipment expense	462	441	903			
FDIC insurance	1	-	1			
Legal, audit, and outside services	983	1,086	2,069			
Loan collection and other loan related expenses	343	520	863			
Amortization of intangible assets	395	395	790			
Other operating expense	1,276	1,281	2,557			
<b>Total noninterest expense</b>	<b>\$8,586</b>	<b>\$8,636</b>	<b>\$17,222</b>			
Efficiency ratio	64.34%	62.23%	63.26%			
Expense ratio	2.55%	2.46%	2.51%			
Average full-time equivalent employees	534	530	532			
Average assets per average full-time equivalent employee (millions)	\$ 2.0	\$ 2.1	\$ 2.1			
<b>1995</b>						
Salaries and wages	\$2,966	\$3,047	\$ 6,013	\$3,358	\$3,057	\$12,428
Employee benefits	1,058	903	1,961	890	1,030	3,881
Net occupancy expense	603	586	1,189	562	610	2,361
Equipment expense	411	424	835	457	402	1,694
FDIC insurance	451	452	903	(43)	81	941
Legal, audit, and outside services	941	908	1,849	921	868	3,638
Loan collection and other loan related expenses	345	352	697	290	484	1,471
Amortization of intangible assets	315	314	629	313	329	1,271
Other operating expense	1,323	1,249	2,572	1,367	1,400	5,339
<b>Total noninterest expense</b>	<b>\$8,413</b>	<b>\$8,235</b>	<b>\$16,648</b>	<b>\$8,115</b>	<b>\$8,261</b>	<b>\$33,024</b>
Efficiency ratio	70.40%	65.79%	68.04%	62.80%	65.02%	65.92%
Expense ratio	2.64%	2.54%	2.59%	2.43%	2.45%	2.51%
Average full-time equivalent employees	535	542	539	551	539	542
Average assets per average full-time equivalent employee (millions)	\$ 1.9	\$ 1.9	\$ 1.9	\$ 1.9	\$ 2.0	\$ 1.9

Noninterest expense: The table entitled NONINTEREST EXPENSE AND PRODUCTIVITY MEASUREMENTS presents components of noninterest expense for the periods indicated. Noninterest expense for the second quarter and six months ended June 30, 1996 has increased slightly from the comparable periods a year previous. The increase was spread throughout the components of noninterest expense and is the result of several factors.

Salary, wages and benefits expense are the second largest expense after interest expense. Salary expense for the quarter and six months ended June 30, 1996 is approximately \$0.1 million and \$0.3 million, respectively, above the 1995 levels for comparable periods. This increase is in part due to the timing of a substantial number of performance appraisal based merit increases occurring effective the first of the calendar year. Benefits expense for the second quarter and first six months of 1996 has increased over comparable periods of 1995 predominately due to actuarially based increases in retirement expense.

During 1995 the FDIC Bank Insurance Fund (BIF) attained congressionally mandated reserve goals, established during the deposit crisis that began in the prior decade. In the third quarter of 1995, the Bank received a refund of premiums it had paid in excess of the lower rates that became effective June 1995, resulting in the FDIC benefit shown in the table. During both the third and fourth quarters of 1995 the premium rates for well capitalized banks were lowered from \$0.23 to \$0.04 per annum per \$100 of insured deposits. The Bank is well capitalized and benefited from the overall lower rates as well as the spread in the lower premium rates between well, adequately and under capitalized institutions. Total premiums vary based upon deposit levels and composition. The FDIC further dropped its premium for well capitalized banks to the legal minimum of \$2,000 per annum for 1996, further benefiting the Bank as reflected in the reduced expense.

Deposit insurance premiums can have a material impact on the profitability of the Registrant; the FDIC determines its premium assessment basis and rate semi-annually based on the BIF reserve. The assessment for 1997 has not yet been determined however there has been significant activity in Congress which may impact future premiums. This includes a proposal to recapitalize the Savings Association Insurance Fund (SAIF), merge the SAIF with the BIF, and provide funding to meet the Financing Corp. (FICO) \$780 million annual bond obligation. This would be financed by semiannual FICO payments of \$0.0127 per \$100 of BIF insured deposits, in addition to regular deposit premiums, for 1997 through 1999 increasing to approximately \$0.025 per \$100 for 2000 until the FICO bonds are retired. Additionally, it is possible that total assessments on BIF deposits may be reduced by Federal Reserve Bank surplus funds totalling \$3 billion.

Outside service cost increased for the second quarter and six months ended June 30, 1996 due to the cost of various studies to improve operating results. Loan collection costs for the same periods increased due to expenses related to the holding and disposition of OREO. Intangible amortization increased during 1996 as intangible assets related to the acquisition of three branches in December 1995 was recognized. The amortization of intangible asset components lapses gradually over time.

The efficiency ratio is computed as total noninterest expense (excluding nonrecurring charges) divided by FTE net interest income plus noninterest income (excluding net securities gains and losses and nonrecurring income). The efficiency ratio indicates the cost of income production. Decreases indicate improvement as expense changes are less than proportional to income changes. The expense ratio is computed as total noninterest expense (excluding nonrecurring charges) less noninterest income (excluding net securities gains and losses and nonrecurring income) divided by average assets. The expense ratio indicates the cost of supporting the asset base; a decrease indicates improvement as expense changes are less than proportional to the asset base. Average assets per average full-time equivalent employee measures the staffing level to support the asset base; an increased ratio indicates improvement reflecting increased assets managed by each employee. These measures all reflect improved performance in the second quarter and first six months of 1996 as compared to the comparable periods of 1995. Since these measures are annualized it is valid to compare the quarterly, periodic and annual measurements to each other which depict a trend of improvement. The Registrant continues its

expense control efforts and has initiated a reengineering project in 1996 to continue to improve its performance for its shareholders and its service to the Bank's customers.

Provision for Income Taxes: The provision for income taxes has increased for the second quarter and first six months of 1996 compared to the comparable periods of 1995 as income subject to taxes has increased. The effective tax rate for the first six months of 1996 was 39% compared to 37% for the comparable period of 1995; increased 1996 taxable income subject to the 35% statutory federal rate, compared to the 34% incremental federal rate in 1995, was the primary reason for the increase in the effective tax rate.



SELECTED FIVE YEAR DATA	1995	1994	1993	1992	1991
(dollars in thousands, except per share amounts)					
Net income	\$9,329	\$6,508	\$8,505	\$8,043	\$7,179
Return on average assets	0.90%	0.64%	0.93%	0.94%	0.85%
Return on average equity	9.18%	6.53%	8.79%	8.89%	8.45%
Net interest margin	4.43%	4.81%	5.26%	5.52%	5.64%
Efficiency ratio	65.92%	70.22%	71.05%	69.48%	68.52%
Expense ratio	2.51%	2.96%	3.21%	3.19%	3.23%
Tier 1 leverage ratio	8.80%	9.05%	9.24%	9.01%	7.92%
Tier 1 capital ratio	15.21%	16.09%	15.40%	15.30%	14.12%
Total risk-based capital ratio	16.46%	17.35%	16.66%	16.61%	14.12%
Cash dividends as a percentage of net income	42.47%	55.22%	38.82%	36.94%	38.58%
Per Common Share:					
Net income	\$ 1.11	\$ 0.76	\$ 1.00	\$ 0.97	\$ 0.88
Cash dividends declared	\$ 0.473	\$ 0.427	\$ 0.394	\$ 0.358	\$ 0.339
Book value	\$13.06	\$11.68	\$11.98	\$11.26	\$10.65
Tangible book value	\$11.66	\$10.51	\$10.43	\$ 9.18	\$ 8.03
Stock dividends distributed	5.00%	5.00%	5.00%	5.00%	5.00%
Market price:					
High	\$18.00	\$16.78	\$16.78	\$13.16	\$11.75
Low	\$15.00	\$13.61	\$11.45	\$ 9.05	\$ 9.01
End of year	\$17.50	\$15.71	\$16.55	\$12.53	\$ 9.46
Price/earnings multiple	15.77x	12.72x	10.79x	12.89x	16.55x
Price/book value multiple	1.34x	1.34x	1.38x	1.11x	0.89x
Total assets	1,106,266	1,044,557	953,907	868,616	838,884
Total stockholders' equity	108,044	98,307	101,108	94,012	87,826
Average common shares outstanding (thousands)	8,381	8,513	8,474	8,316	8,195

PART II. OTHER INFORMATION

Item 1 -- Legal Proceedings

This item is omitted as there have been no material legal proceedings initiated or settled during the quarter ended June 30, 1996.

Item 2 -- Changes in Securities

Following are listed changes in the Registrant's Common Stock outstanding during the quarter ended June 30, 1996 as well as certain actions which have been taken which may affect the number of shares of Common Stock (shares) outstanding in the future. There was no Preferred Stock outstanding during the quarter ended June 30, 1996.

The Registrant has Stock Option Plans covering key employees. In April 1996 nonqualified stock options were granted for 12,000 shares of common stock at an option price of \$16.68 per share. These options vest over a four year period with the first vesting date one year from the date of grant. Outstanding at June 30, 1996 are nonqualified stock options covering 273,231 shares at exercise prices ranging between \$9.46 and \$16.68 with expiration dates between January 10, 1997, and April 23, 2006. There are 577,568 shares of authorized common stock designated for possible issuance under the Plans, including the aforementioned shares. The number of shares designated for the Plans, the number of shares under existing options and the option price per share may be adjusted upon certain changes in capitalization, such as stock dividends, stock splits and other occurrences as enumerated in the Plans. (FORMS S-8, Registration Statement Nos. 33-18976 and 33-77410, filed with the Commission on December 9, 1987 and April 6, 1994, respectively).

The Registrant has granted its former Chairman stock options in connection with the discharge of severance obligations of the Registrant and the Bank under an employment agreement. The option covers 129,988 and 27,232 shares with exercise prices of \$15.42 and \$16.10, respectively, and bears an expiration date of January 31, 1997. The number of shares under option and the option price per share may be adjusted upon certain changes in capitalization, such as stock dividends, stock splits and other occurrences. The shares which would be issued, upon payment of the exercise price, from authorized, but unissued common stock, or shares held in the treasury. This stock option does not serve to reduce the number of options available under the previously mentioned Stock Option Plans. (FORM S-8, Registration Statement No. 333-02925, filed with the Commission on April 29, 1996). The Registrant has a Dividend Reinvestment Plan. There are 134,003 additional shares of authorized but unissued common stock designated for possible issuance under the Plan. (FORM S-3, Registration Statement No. 33-12247, filed with the Commission on February 26, 1987).

The Registrant's Board of Directors has authorized the purchase on the open market by the Registrant of additional shares of treasury stock. These treasury shares are to be used for a variety of corporate purposes, primarily to meet the needs of the Registrant's Employee Stock Ownership Plan, Automatic Dividend Reinvestment and Stock Purchase Plan, Stock Option Plans and Bank Trust Department directed IRA and HR-10 accounts. Purchases and sales during 1996 totalled 299,148 and 48,423, respectively, with 395,779 shares in treasury at June 30, 1996. Purchases were made at the prevailing market price in effect at the dates of the transactions. Subsequent sales to both the Registrant's Employee Stock Ownership Plan and Dividend Reinvestment and Stock Purchase Plan, if any, were made at the five day average of the highest and lowest quoted selling price of the Registrant's common stock on the National Market System of NASDAQ. Sales under the Registrant's Stock Option Plans were made at the option price. The price per common share ranged between \$16.21 and \$17.03; any difference between cost and sales price was recorded in capital surplus.

As approved at the April 22, 1995 annual meeting the Registrant is authorized to issue 2.5 million shares of preferred stock, no par value, \$1.00 stated value. The Board of Directors is authorized to fix

the particular designations, preferences, rights, qualifications, and restrictions for each series of preferred stock issued. The Registrant has a Stockholder Rights Plan (Plan) designed to ensure that any potential acquiror of the Registrant negotiate with the Board of Directors and that all Registrant stockholders are treated equitably in the event of a takeover attempt. When the Plan was adopted, the Registrant paid a dividend of one Preferred Share Purchase Right (Right) for each outstanding share of common stock of the Registrant. Similar Rights are attached to each share of the Registrant's common stock issued after November 15, 1994, the date of adoption subject to adjustment. Under the Plan, the Rights will not be exercisable until a person or group acquires beneficial ownership of 20 percent or more of the Registrant's outstanding common stock, begins a tender or exchange offer for 25 percent or more of the Registrant's outstanding common stock, or an adverse person, as declared by the Board of Directors, acquires 10 percent or more of the Registrant's outstanding common stock. Additionally, until the occurrence of such an event, the Rights are not severable from the Registrant's common stock and therefore, the Rights will be transferred upon the transfer of shares of the Registrant's common stock. Upon the occurrence of such events, each Right entitles the holder to purchase one one-hundredth of a share of Series R Preferred Stock, no par value, and \$1.00 stated value per share of the Company at a price of \$100.

The Plan also provides that upon the occurrence of certain specified events, the holders of Rights will be entitled to acquire additional equity interests in the Company or in the acquiring entity, such interests having a market value of two times the Right's exercise price of \$100. The Rights, which expire November 14, 2004, are redeemable in whole, but not in part, at the Company's option prior to the time they are exercisable, for a price of \$0.01 per Right.

#### Item 3 -- Defaults Upon Senior Securities

This item is omitted because there were no defaults upon the Registrant's senior securities during the quarter ended June 30, 1996.

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

This item is omitted as there is no disclosure required for the quarter ended June 30, 1996. The results of the election of directors and ratification of auditors at the Annual Meeting of Stockholders held April 20, 1996 was previously reported in Form 10-Q, March 31, 1996.

#### Item 5 -- Other Information

Not Applicable

#### Item 6 -- Exhibits and Reports on FORM 8-K

An index to exhibits follows the signature page of this FORM 10-Q.

No reports on FORM 8-K were filed by the Registrant during the quarter ended June 30, 1996.

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 9th day of August, 1996.

NBT BANCORP INC.

/s/ JOE C. MINOR

By: -----  
Joe C. Minor  
Vice President  
Chief Financial Officer and Treasurer

INDEX TO EXHIBITS

The following documents are attached as Exhibits to this FORM 10-Q or, if annotated by the symbol \*, are incorporated by reference as Exhibits as indicated by the page number or exhibit cross-reference to the prior filings of the Registrant with the Commission.

FORM 10-Q Exhibit Number - - - - -		Exhibit Cross-Reference -----
27.1	Financial Data Schedule for the six months ended June 30, 1996	Herein
27.2	Amended Financial Data Schedule for the three months ended March 31, 1996	Herein

EXHIBIT 27.1  
Financial Data Schedule for the six months ended  
June 30, 1996

EXHIBIT 27.2  
Amended Financial Data Schedule for the three  
months ended March 31, 1996



THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM NBT BANCORP INC.'S FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 1996, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

6-MOS	DEC-31-1996	
	JUN-30-1996	38,034
	687	
	15,211	
	0	
364,971	45,744	
	45,739	
		620,871
		9,438
	1,124,643	
		875,410
		138,578
	6,389	
		3,008
	0	
		0
		8,442
		92,816
1,124,643		
	27,784	
	12,995	
	39	
	40,818	
	15,766	
	17,677	
	23,141	
		1,300
	1,011	
	17,222	
	9,270	
5,648		
	0	
		0
	5,648	
	0.69	
	0.69	
	4.65	
	4,669	
	804	
	0	
	26,036	
	9,120	
	1,444	
	462	
	9,438	
	7,246	
	0	
2,192		

THIS AMENDED SCHEDULE CORRECTS (CASH) AND (MULTIPLIER) AS PREVIOUSLY REPORTED AND CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM NBT BANCORP INC.'S FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 1996, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

3-MOS	DEC-31-1996	
	MAR-31-1996	52,430
	1,684	0
		0
379,425	39,762	
	39,762	595,025
		9,173
	1,109,501	912,711
		84,540
	6,615	3,010
	0	0
		8,442
1,109,501		94,183
	13,695	
	6,293	
	15	
	20,003	
	7,950	
	8,670	
	11,333	600
		792
		8,586
		4,731
2,911		0
		0
		2,911
		0.35
		0.35
		4.66
		5,431
		929
		0
		27,567
		9,120
		709
		162
		9,173
		6,958
		0
2,215		