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

(Mark One)
X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended June 30, 1998.

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)-337-6000

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

As of July 31, 1998, there were 12,425,758 shares outstanding, including 410,567 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.

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

NBT BANCORP INC.
FORM 10-Q -- Quarter Ended June 30, 1998

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NBT BANCORP INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

(in thousands)	JUNE 30, 1998 (UNAUDITED)	December 31, 1997 (See Notes)	June 30, 1997 (Unaudited)
ASSETS			
Cash and cash equivalents	$ 42,939	$ 37,446	$ 36,231
Loans available for sale	2,483	3,286	2,993
Securities available for sale, at fair value	409,184	440,632	437,277
Securities held to maturity (fair value-$37,137, $36,139 and $31,241)	37,137	36,139	31,243
Loans:			
Commercial and agricultural	355,945	326,491	309,176
Real estate mortgage	148,660	135,475	125,059
Consumer	274,482	273,516	263,978
Total loans	779,087	735,482	698,213
Less allowance for loan losses	12,239	11,582	11,085
Net loans	766,848	723,900	687,128
Premises and equipment, net	20,525	18,761	17,138
Intangible assets, net	8,080	8,642	9,256
Other assets	11,246	11,779	17,217
TOTAL ASSETS	$1,298,442	$1,280,585	$1,238,483
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits:			
Demand (noninterest bearing)	$ 139,321	$ 138,985	$ 130,931
Savings, NOW, and money market	382,546	358,366	365,114
Time	479,034	516,832	445,160
Total deposits	1,000,901	1,014,183	941,205
Short-term borrowings	152,150	134,527	152,893
Other borrowings	10,178	183	20,189
Other liabilities	6,173	8,349	10,501
Total liabilities	1,169,402	1,157,242	1,124,788
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 -15,000,000; issued 12,425,758, 12,573,281 and 12,603,450	12,426	9,430	9,002
Capital surplus	97,110	96,494	85,359
Retained earnings	25,448	22,249	29,126
Accumulated other comprehensive income	2,400	2,373	(1,598)
Common stock in treasury at cost, 415,225, 415,871, and 473,076 shares	(8,344)	(7,203)	(8,194)
Total stockholders' equity	129,040	123,343	113,695
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$1,298,442	$1,280,585	$1,238,483

See notes to consolidated financial statements.

NBT BANCORP INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)	Three months ended June 30, 1998	Three months ended June 30, 1997	Six months ended June 30, 1998	Six months ended June 30, 1997
	(Unaudited)			
Interest and fee income:				
Loans and loans available for sale	$17,563	$15,944	$34,601	$31,142
Securities - taxable	7,376	7,449	15,267	14,134
Securities - tax exempt	281	322	555	673
Other	56	44	109	93
Total interest and fee income	25,276	23,759	50,532	46,042
Interest expense:				
Deposits	9,588	8,752	19,079	17,145
Short-term borrowings	1,445	1,516	3,120	2,501
Other borrowings	135	291	190	572
Total interest expense	11,168	10,559	22,389	20,218
Net interest income	14,108	13,200	28,143	25,824
Provision for loan losses	1,150	1,000	2,250	1,715
Net interest income after provision for loan losses	12,958	12,200	25,893	24,109
Noninterest income:				
Trust income	802	687	1,604	1,373
Service charges on deposit accounts	900	933	1,769	1,837
Securities gains	227	1	445	18
Other income	610	650	1,289	1,063
Total noninterest income	2,539	2,271	5,107	4,291
Noninterest expense:				
Salaries and employee benefits	4,607	4,247	9,294	8,598
Occupancy	695	654	1,381	1,308
Equipment	580	408	1,060	844
Amortization of intangible assets	271	359	562	737
Other operating	3,386	2,598	6,644	5,338
Total noninterest expense	9,539	8,266	18,941	16,825
Income before income taxes	5,958	6,205	12,059	11,575
Income taxes	1,248	2,168	2,277	4,093
NET INCOME	$ 4,710	$ 4,037	$ 9,782	$ 7,482
Earnings Per Share:				
Basic	$ 0.39	$ 0.34	$ 0.81	$ 0.63
Diluted	$ 0.39	$ 0.33	$ 0.80	$ 0.62

See notes to consolidated financial statements.

NBT BANCORP INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands, except per share data)	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
			(Unaudited)			
BALANCE AT DECEMBER 31, 1996	$ 8,838	$82,731	$24,208	$(1,529)	$(7,984)	$106,264
Net income			7,482			7,482
Cash dividends - $0.214 per share			(2,564)			(2,564)
Issuance of 164,030 shares to stock plan	164	2,476				2,640
Purchase of 131,900 treasury shares					(2,568)	(2,568)
Sale of 140,273 treasury shares to employee benefit plans and other stock plans		152			2,358	2,510
Unrealized loss on securities available for sale, net of reclassification adjustment, and deferred taxes of $48				(69)		(69)
BALANCE AT JUNE 30, 1997	$ 9,002	$85,359	$29,126	$(1,598)	$(8,194)	$113,695
BALANCE AT DECEMBER 31, 1997	$ 9,430	$96,494	$22,249	$ 2,373	$(7,203)	$123,343
Net income			9,782			9,782
Cash dividends - $0.298 per share			(3,576)			(3,576)
Effect of 4 for 3 split in the form of a stock dividend	2,996		(2,996)			
Payment in lieu of fractional shares			(11)			(11)
Purchase of 91,100 treasury shares					(2,831)	(2,831)
Sale of 91,746 treasury shares to employee benefit plans and other stock plans		616			1,690	2,306
Unrealized gain on securities available for sale, net of reclassification adjustment, and deferred taxes of $10				27		27
BALANCE AT JUNE 30, 1998	$12,426	$97,110	$25,448	$ 2,400	$(8,344)	$129,040

See notes to consolidated financial statements.

NBT BANCORP INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Six months ended June 30, 1998	1997
	(Unaudited)	
OPERATING ACTIVITIES:		
Net income	$ 9,782	$ 7,482
Adjustments to reconcile net income to the cash provided by operating activities:		
Provision for loan losses	2,250	1,715
Depreciation and amortization of premises and equipment	986	709
Amortization of premiums and accretion of discounts on securities	(878)	354
Amortization of intangible assets	562	737
Proceeds from sales of loans originated for sale	2,408	2,881
Loans originated for sale	(1,605)	(1,738)
Realized gains on sales of securities	(445)	(18)
(Increase) decrease in interest receivable	513	(274)
Increase (decrease) in interest payable	(70)	755
Sale of branch, net	-	(219)
Other, net	(1,651)	2,323
Net cash provided by operating activities	11,852	14,707
INVESTING ACTIVITIES:		
Securities available for sale:		
Proceeds from maturities	35,893	19,232
Proceeds from sales	93,120	45,969
Purchases	(96,650)	(133,746)
Securities held to maturity:		
Proceeds from maturities	10,502	18,741
Purchases	(11,500)	(7,745)
Net increase in loans	(45,198)	(44,723)
Purchase of premises and equipment, net	(2,750)	(1,540)
Net cash used in investing activities	(16,583)	(103,812)
FINANCING ACTIVITIES:		
Net increase (decrease) in deposits	(13,282)	24,886
Net increase in short-term borrowings	17,623	64,649
Proceeds from issuance of other borrowings	10,000	-
Repayments of other borrowings	(5)	(6)
Common stock issued, including treasury shares reissued	2,306	5,150
Purchase of treasury stock	(2,831)	(2,569)
Cash dividends and payment for fractional shares	(3,587)	(2,564)
Net cash provided by financing activities	10,224	89,546
Net increase in cash and cash equivalents	5,493	441
Cash and cash equivalents at beginning of year	37,446	35,790
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 42,939	$ 36,231
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: Cash paid during the period for:		
Interest	$ 22,459	$ 19,463
Income taxes	3,894	1,146

See notes to consolidated financial statements.

NBT BANCORP INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)	Three months ended June 30, 1998	Three months ended June 30, 1997	Six months ended June 30, 1998	Six months ended June 30, 1997
	(Unaudited)			
Net Income	$4,710	$4,037	$9,782	$7,482
Other comprehensive income, net of tax				
Unrealized gains (losses) on securities:				
Unrealized holding gains (losses) arising during period [pre-tax amounts of $1,256, $6,385, $482 and ($99)]	748	3,777	290	(58)
Less: Reclassification adjustment for gains included in net income [pre-tax amounts of ($227), ($1), ($445) and ($18)]	(134)	(1)	(263)	(11)
Total other comprehensive income (loss)	614	3,776	27	(69)
Comprehensive income	$5,324	$7,813	$9,809	$7,413

BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements include the accounts of NBT Bancorp Inc. (the Registrant) and its wholly-owned subsidiary, NBT Bank, N.A. (Bank) collectively referred to herein as the Company. 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 and splits. Cash dividends per common share are computed based on declared rates adjusted retroactively for stock dividends and splits.

The balance sheet at December 31, 1997 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 three month and six month periods ended June 30, 1998 are not necessarily indicative of the results that may be expected for the year ending December 31, 1998. 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, 1997.

RECENT ACCOUNTING PRONOUNCEMENTS AND DEVELOPMENTS

Effective January 1, 1998 the Company adopted the remaining provisions of Statement of Financial Accounting Standards ("SFAS") No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", which relate to the accounting for securities lending, repurchase agreements, and other secured financing activities. These provisions, which were delayed for implementation by SFAS No. 127, did not have a material impact on the Company.

On January 1, 1998, the Company adopted the provisions of SFAS No. 130, "Reporting Comprehensive Income". This statement establishes standards for the reporting and display of comprehensive income and its components. Comprehensive income includes the reported net income adjusted for items that are currently accounted for as direct entries to equity, such as the mark to market adjustment on securities available for sale, foreign currency items and minimum pension liability adjustments. At the Company, comprehensive income represents the net income plus other comprehensive income, which consists of the net change in unrealized gains or losses on securities available for sale for the period. Accumulated other comprehensive income represents the net unrealized gains or losses on securities available for sale as of the balance sheet dates.

In June 1997, the FASB issued SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information". SFAS No. 131 requires public business enterprises to report financial and other information about key revenue-producing segments of the entity for which such information is available and is utilized by the chief operating decision makers. Specific information to be reported for individual segments includes profit or loss, certain revenue and expense items and total assets. A reconciliation of segment financial information to amounts reported in the financial statements would be provided. SFAS No. 131 was adopted January 1, 1998 and management will determine its impact prior to the initial application of the statement's provisions on December 31, 1998.

In February 1998, the FASB issued SFAS No. 132 "Employers' Disclosures about Pensions and Other Postretirement Benefits". This statement revises employers' disclosures about pension and other post retirement benefit plans. It does not change the measurement or recognition of these plans. The Company adopted SFAS No. 132 on January 1, 1998 and has determined its impact to be revised year-end reporting requirements for pension and post retirement benefits.

In June 1998, the FASB issued SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities". This statement establishes comprehensive accounting and reporting requirements for derivative instruments and hedging activities. SFAS No. 133 requires companies to record derivatives on the balance sheet as assets or liabilities, measured at fair value. The accounting for gains or losses resulting from changes in the values of those derivatives would be dependent on the use of the derivative and the type of risk being hedged. The statement is effective for all quarters of fiscal years beginning after June 15, 1999. At the present time, the Company has not fully analyzed the effect or timing of the adoption of SFAS No. 133 on the Company's consolidated financial statements.

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, 1998:

	Contractual or Notional Value at June 30, 1998
Financial instruments with off-balance sheet credit risk:	
Commitments to extend credit	$136,642,000
Standby letters of credit	1,865,000
Financial instruments with off-balance sheet market risk	None

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 subsidiary, NBT Bank, N.A. (Bank) 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 1997 FORM 10-K for an understanding of the following discussion and analysis. The Company has a long history of distributing stock dividends; in December 1997, a 5% stock dividend was distributed for the thirty-eighth consecutive year. In addition, on June 15, 1998 the Company distributed a four-for-three stock split effected in the form of a dividend. Throughout this discussion and analysis, amounts per common share have been adjusted retroactively for stock dividends and splits for purposes of comparability.

A committee continues to direct the Company's Year 2000 activities under the framework of the FFIEC's Five Step Program. Testing of critical applications began in August of 1998. Testing of core systems is expected to be complete by year-end 1998, with testing of minor systems to continue into 1999. The Company continues to work closely with Fiserv, its data services and items processing provider, regarding Year 2000 compliance. The Company has recently begun evaluating Year 2000 readiness of its major borrowers and fund providers to assess their readiness and identify potential problems. The results of the scheduled testing of software applications and evaluation of customer readiness will determine the potential effect on the Company's financial position and results of operations.

OVERVIEW

Net income of $4.7 million ($0.39 per diluted share) was realized in the second quarter of 1998, representing a 16.7% increase from second quarter 1997 net income of $4.0 million ($0.33 per diluted share). One of the major contributing factors for this increase was increased net interest income. The increase in net interest income was a result of an increase in average earning assets, as the loan portfolio continues to expand. Also contributing to the increase in net income for the second quarter of 1998 was an approximately $1 million tax benefit arising from a corporate realignment within the Company.

Net income of $9.8 million ($0.80 per diluted share) was realized for the six month period ended June 30, 1998, a 30.7% increase from the first six months in 1997 net income of $7.5 million ($0.62 per diluted share). The increased profitability for the six months ended June 30, 1998 was driven by factors similar to those of second quarter 1998.

Table 1 depicts several measurements of performance on an annualized basis. Returns on average assets and equity measure how effectively an entity utilizes its total resources and capital, respectively. Both the return on average assets and the return on average equity ratios increased for the three and six month periods ended June 30, 1998 compared to the same periods a year previous.

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 taxes are applied.

TABLE 1
PERFORMANCE MEASUREMENTS

	First Quarter	SECOND QUARTER	SIX MONTHS	Third Quarter	Fourth Quarter	Twelve Months
1998						
Return on average assets	1.60%	1.47%	1.54%			
Return on average common equity	16.49%	14.92%	15.70%			
Net interest margin	4.75%	4.68%	4.72%			
1997						
Return on average assets	1.19%	1.33%	1.26%	1.17%	1.11%	1.20%
Return on average common equity	12.82%	14.78%	13.81%	12.74%	11.71%	12.97%
Net interest margin	4.71%	4.65%	4.68%	4.64%	4.68%	4.67%

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. Table 2 represents an analysis of net interest income on a federal taxable equivalent basis.

Net federal taxable equivalent (FTE) interest income increased $0.9 million for the second quarter of 1998 compared to the same period of 1997. This increase was primarily a result of the $65.9 million increase in average earning assets, less the $41.2 million increase in average interest bearing liabilities.

Total FTE interest income increased $1.5 million over second quarter 1997. This increase is also a result of the increase in average earning assets. During the same time period, total interest expense increased $0.6 million. The increase in average interest bearing liabilities was the primary reason for the increase in overall interest expense.

For the first six months of 1998, net FTE interest income increased $2.3 million over the comparable period of 1997. This increase can be attributed to an $86.9 million increase in average earning assets. During the same period, the yield on earning assets increased 14 basis points (0.14%), primarily driven by the 27 basis point increase in the yield earned on the securities available for sale portfolio. The cost of interest bearing liabilities increased 18 basis points for the six months ended June 30, 1998 compared to the same period of 1997. This increase can be attributed to a rise in the cost of certificate of deposits and short-term borrowings between the reporting periods.

Another important performance measurement of net interest income is the net interest margin. The net interest margin increased to 4.72% for first six months of 1998, up from 4.68% for the comparable period in 1997. The increase in net interest margin is a function of the increased funding of earning assets from noninterest bearing sources.

TABLE 2

COMPARATIVE ANALYSIS OF FEDERAL TAXABLE EQUIVALENT NET INTEREST INCOME

Three months ended June 30,

ANNUALIZED YIELD/RATE 1998	ANNUALIZED YIELD/RATE 1997	(dollars in thousands)	AMOUNTS 1998	AMOUNTS 1997	VARIANCE TOTAL	VARIANCE VOLUME	VARIANCE RATE
5.18%	4.91%	Interest bearing deposits	$ 2	$ 1	$ 1	$ -	$ 1
3.78%	-%	Federal funds sold	5	-	5	5	-
5.36%	5.31%	Other short-term investments	49	43	6	7	(1)
6.87%	6.78%	Securities available for sale	7,146	7,249	(103)	(203)	100
8.71%	9.25%	Loans available for sale	72	92	(20)	(14)	(6)
		Securities held to maturity:					
7.85%	7.00%	Taxable	253	222	31	3	28
7.03%	6.58%	Tax exempt	409	474	(65)	(95)	30
9.20%	9.36%	LOANS	17,543	15,909	1,634	1,903	(269)
8.34%	8.30%	Total interest income	25,479	23,990	1,489	1,606	(117)
2.90%	2.96%	Money Market Deposit Accounts	607	695	(88)	(74)	(14)
1.66%	1.60%	NOW accounts	530	469	61	42	19
2.82%	2.82%	Savings accounts	1,084	1,093	(9)	(8)	(1)
5.41%	5.28%	Certificates of deposit	7,367	6,495	872	706	166
5.42%	5.66%	Short-term borrowings	1,445	1,516	(71)	(6)	(65)
5.31%	5.77%	OTHER BORROWINGS	135	291	(156)	(134)	(22)
4.35%	4.28%	TOTAL INTEREST EXPENSE	11,168	10,559	609	526	83
		Net interest income	$14,311	$13,431	$ 880	$1,080	$(200)
3.99%	4.02%	Interest rate spread					
4.68%	4.65%	Net interest margin					
		FTE adjustment	$ 203	$ 231			

Six months ended June 30,

ANNUALIZED YIELD/RATE 1998	1997	(dollars in thousands)	AMOUNTS 1998	1997	VARIANCE TOTAL	VOLUME	RATE
5.14%	4.45%	Interest bearing deposits	$ 3	$ 3	$ -	$ (1)	$ 1
3.96%	5.27%	Federal funds sold	6	6	-	2	(2)
5.40%	5.23%	Other short-term investments	100	84	16	13	3
7.01%	6.74%	Securities available for sale	14,804	13,749	1,055	496	559
8.24%	8.44%	Loans available for sale	144	174	(30)	(26)	(4)
		Securities held to maturity:					
7.70%	6.86%	Taxable	507	428	79	24	55
7.11%	6.61%	Tax exempt	809	992	(183)	(254)	71
9.28%	9.32%	LOANS	34,567	31,080	3,487	3,635	(148)
8.41%	8.27%	Total interest income	50,940	46,516	4,424	3,889	535
2.90%	2.93%	Money Market Deposit Accounts	1,245	1,373	(128)	(118)	(10)
1.67%	1.62%	NOW accounts	1,034	941	93	68	25
2.83%	2.84%	Savings accounts	2,153	2,179	(26)	(24)	(2)
5.45%	5.26%	Certificates of deposit	14,647	12,652	1,995	1,509	486
5.55%	5.37%	Short-term borrowings	3,120	2,501	619	530	89
5.32%	5.71%	OTHER BORROWINGS	190	572	(382)	(345)	(37)
4.40%	4.22%	TOTAL INTEREST EXPENSE	22,389	20,218	2,171	1,620	551
		Net interest income	$28,551	$26,298	$2,253	$2,269	$ (16)
4.01%	4.05%	Interest rate spread					
4.72%	4.68%	Net interest margin					
		FTE adjustment	$ 408	$ 474			

PROVISION AND ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is a valuation allowance 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 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. The allowance for loan losses to outstanding loans at June 30, 1998 is 1.57%, compared to 1.59% for the same period in 1997. Management considers the allowance for loan losses to be adequate based on evaluation and analysis of the loan portfolio.

Table 3 reflects changes to the allowance for loan losses for the periods presented. The allowance is increased by provisions for losses charged to operations and is reduced by net 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 losses. Net charge-offs for the quarter ended June 30, 1998 increased 51.2% from the prior years second quarter. Net charge-offs for the six months ended June 30, 1998 increased 44.4% over the comparable period of 1997. Annualized net charge-offs to average loans increased to 0.47% for the second quarter of 1998, up from 0.35% for the comparable period of 1997. The rise in net charge-offs during 1998 can be attributed to the commercial portfolio, primarily the result of three customers.

TABLE 3
ALLOWANCE FOR LOAN LOSSES

(dollars in thousands)	Three months ended June 30, 1998	1997	Six months ended June 30, 1998	1997
Balance, beginning of period	$11,984	$10,677	$11,582	$10,473
Recoveries	222	205	410	395
Charge-offs	(1,117)	(797)	(2,003)	(1,498)
Net charge-offs	(895)	(592)	(1,593)	(1,103)
Provision for loan losses	1,150	1,000	2,250	1,715
Balance, end of period	$12,239	$11,085	$12,239	$11,085

COMPOSITION OF NET CHARGE-OFFS

Commercial and agricultural	$ (532)	59%	$ (110)	19%	$ (848)	53%	$ (362)	33%
Real estate mortgage	(34)	4%	(14)	2%	(55)	4%	(7)	1%
Consumer	(329)	37%	(468)	79%	(690)	43%	(734)	66%
Net charge-offs	$ (895)	100%	$ (592)	100%	$(1,593)	100%	$(1,103)	100%
Annualized net charge-offs to average loans		0.47%		0.35%		0.43%		0.33%
Annualized net charge-offs to average loans for the year ended December 31, 1997								0.34%

NONINTEREST INCOME

Table 4 below presents quarterly and period to date noninterest income. Noninterest income for the second quarter of 1998, excluding security gains and nonrecurring income, increased $0.3 million or 12.7% when compared to second quarter of 1997. Trust income was a major contributor to this increase. Market value of trust assets were $823 million at June 30, 1998, up $132 million over the same period in 1997. The continued growth of trust assets has generated increased income for the Company. Also contributing to the increase in noninterest income was a rise in ATM transaction income. For the six month period ended June 30, 1998, excluding security gains and nonrecurring income, noninterest income increased $0.6 million or 15.0% compared to the same period during 1997.

Security gains increased $0.2 million for the second quarter 1998 as compared to second quarter 1997. This increase can be attributed to the change in market conditions between the two periods. Other income for the second quarter 1997 includes a one-time gain of $0.2 million for the sale of the Hamden branch to The National Bank of Delaware County.

TABLE 4
NONINTEREST INCOME

(dollars in thousands)	First Quarter	SECOND QUARTER	SIX MONTHS	Third Quarter	Fourth Quarter	Twelve Months
1998						
Trust income	$ 802	$ 802	$1,604			
Service charges on deposit accounts	869	900	1,769			
Securities gains	218	227	445			
Other income	679	610	1,289			
Total noninterest income	$2,568	$2,539	$5,107			
1997						
Trust income	$ 686	$ 687	$1,373	$ 687	$ 615	$2,675
Service charges on deposit accounts	904	933	1,837	926	932	3,695
Securities gains	17	1	18	(90)	(265)	(337)
Other income	413	650	1,063	457	513	2,033
Total noninterest income	$2,020	$2,271	$4,291	$1,980	$1,795	$8,066

NONINTEREST EXPENSE AND OPERATING EFFICIENCY

Table 5 presents components of noninterest expense as well as selected operating efficiency ratios. Noninterest expense for the quarter ended June 30, 1998 experienced a $1.3 million increase compared to the same time period of 1997. Noninterest expense for the six month period ended June 30, 1998 experienced a $2.1 million increase compared to the same time period of 1997.

Employee benefits for the quarter ended June 30, 1998 experienced a $0.3 million increase compared to the same period in 1997. The increase can be attributed to a rise in the accrual for executive incentive compensation based on current year's performance.

Legal, audit, and outside services expense increased $0.3 million for the quarter ended June 30, 1998 compared to the same period in 1997. The increase can be attributed to the outsourcing of the Company's item processing function during 1997, as well as increased audit and outside service fees associated with the corporate realignment.

Loan collection and other loan related expenses increased by $0.3 million for the quarter ended June 30, 1998 compared to the same period in 1997. The increase can be attributed to a rise in loan initiation expense, primarily due to the increased loan activity.

The increase in noninterest expense for the six months ended June 30, 1998 can be attributed to factors similar to those for the second quarter of 1998.

Two important operating efficiency measures that the Company closely monitors are the efficiency and expense ratios. The efficiency ratio is computed as total noninterest expense (excluding nonrecurring charges) divided by net interest income plus noninterest income (excluding net security gains and losses and nonrecurring income). The efficiency ratio increased to 57.4% in the second quarter of 1998 from 53.4% for the same period of 1997. This increase was a result of the increase in noninterest expense. The expense ratio is computed as total noninterest expense (excluding nonrecurring charges) less noninterest income (excluding net security gains and losses and nonrecurring income) divided by average assets. The expense ratio increased to 2.3% for the second quarter 1998 from 2.1% for the same period of 1997. This increase can also be attributed to the rise in noninterest expense between the reporting periods, partially offset by the increase in noninterest income.

TABLE 5

NONINTEREST EXPENSE AND PRODUCTIVITY MEASUREMENTS

(dollars in thousands) 1998	First Quarter	SECOND QUARTER	SIX MONTHS	Third Quarter	Fourth Quarter	Twelve Months
Salaries and wages	$3,170	$3,250	$ 6,420			
Employee benefits	1,517	1,357	2,874			
Net occupancy expense	686	695	1,381			
Equipment expense	480	580	1,060			
FDIC assessments	41	20	61			
Legal, audit, and outside services	1,305	1,231	2,536			
Loan collection and other loan related expenses	480	628	1,108			
Amortization of intangible assets	291	271	562			
Other operating expense	1,432	1,507	2,939			
Total noninterest expense	$9,402	$9,539	$18,941			
Efficiency ratio	56.67%	57.39%	57.03%			
Expense ratio	2.23%	2.25%	2.24%			
Average full-time equivalent employees	488	488	488			
Average assets per average full-time equivalent employee (millions)	$ 2.6	$ 2.6	$ 2.6			
1997						
Salaries and wages	$3,042	$3,150	$ 6,192	$3,196	$3,248	$12,636
Employee benefits	1,309	1,097	2,406	1,360	1,503	5,269
Occupancy expense	654	654	1,308	584	706	2,598
Equipment expense	436	408	844	435	421	1,700
FDIC assessments	28	29	57	30	29	116
Legal, audit, and outside services	930	891	1,821	1,013	1,217	4,051
Loan collection and other loan related expenses	423	375	798	552	474	1,824
Amortization of intangible assets	378	359	737	314	300	1,351
Other operating expense	1,359	1,303	2,662	1,420	1,543	5,625
Total noninterest expense	$8,559	$8,266	$16,825	$8,904	$9,441	$35,170
Efficiency ratio	57.56%	53.38%	55.43%	55.56%	57.86%	56.09%
Expense ratio	2.27%	2.05%	2.16%	2.16%	2.30%	2.20%
Average full-time equivalent employees	498	496	497	495	488	494
Average assets per average full-time equivalent employee (millions)	$ 2.3	$ 2.5	$ 2.4	$ 2.5	$ 2.6	$ 2.5

INCOME TAXES

Income tax expense for the second quarter of 1998 was $1.2 million, compared with $2.2 million for the second quarter of 1997. For the first six months of 1998, income tax expense amounted to $2.3 million, compared with $4.1 million in the first half of 1997. The reduction in income taxes during 1998 can be attributed to the approximate $2 million tax benefit resulting from a corporate realignment within the Company.

The following table 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.

TABLE 6
AVERAGE BALANCES

	Three months ended June 30,		Six months ended June 30,	
(dollars in thousands)	1998	1997	1998	1997
Cash and cash equivalents	$ 36,394	$ 33,123	$ 36,798	$ 34,088
Securities available for sale, at fair value	420,538	422,550	429,594	406,366
Securities held to maturity	36,254	41,618	36,209	42,843
Loans available for sale	3,316	3,972	3,528	4,158
Loans	764,547	681,777	751,352	672,350
Deposits	1,039,724	970,344	1,031,956	961,198
Short-term borrowings	106,998	107,449	113,337	93,975
Other borrowings	10,179	20,191	7,197	20,192
Stockholders' equity	126,605	109,546	125,658	109,264
Assets	1,288,574	1,217,078	1,285,067	1,193,585
Earning assets	1,225,520	1,159,612	1,220,912	1,134,045
Interest bearing liabilities	$1,030,140	$ 988,987	$1,026,985	$ 965,929

SECURITIES

Average total securities decreased $7.4 million for the second quarter of 1998 over the same period of 1997. During the second quarter of 1998, the securities portfolio represented 37.0% of average earning assets. Average total securities for the six month period ended June 30, 1998 increased $16.6 million compared to the same period of 1997. Available for sale securities are primarily U.S. Governmental agencies guaranteed securities. Held to maturity securities are obligations of the State of New York political subdivisions and do not include any direct obligations of the State of New York. At June 30, 1998, the composition of the securities portfolio was 92% available for sale and 8% held to maturity.

LOANS

Average loan volume for the three months ended June 30, 1998 increased $82.8 million, or 12.1% over second quarter 1997. This growth has been present in all loan categories, with increases in the commercial, consumer and mortgage portfolios of $45.3 million, $16.2 million and $21.3 million, respectively.

The Company has continued to experience an increase in the demand for commercial loans, with growth of $29.5 million since year-end 1997, primarily in the business and real estate categories. The increase in consumer loans can be attributed to a rise in homequity loans, primarily revolving lines of credit secured by the borrowers primary residence. The company does not engage in highly leveraged transactions or foreign lending activities.

NONPERFORMING ASSETS AND PAST DUE LOANS

Nonperforming assets consist of nonaccrual loans and other real estate owned (OREO). 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.

Total nonperforming assets at June 30, 1998 increased $1.5 million compared to June 30, 1997. An increase of $1.8 million in impaired commercial and agricultural loans was partially offset by a decrease in other real estate owned of $0.3 million. A significant portion of the increase in impaired commercial loans can be attributed to two customers. The changes in nonperforming assets are presented in Table 7 below.

At June 30, 1998, the recorded investment in impaired loans was $4.2 million. Included in this amount is $1.5 million of impaired loans for which the specifically allocated allowance for loan loss is $0.3 million. In addition, included in impaired loans is $2.7 million of impaired loans that, as a result of the adequacy of collateral values and cash flow analysis do not have a specific reserve. At December 31, 1997, the recorded investment in impaired loans was $4.3 million, of which $1.9 million had a specific allowance allocation of $0.6 million and $2.4 million for which there was no specific reserve. At June 30, 1997, the recorded investment in impaired loans was $2.8 million, of which $0.7 million had a specific allowance allocation of $0.2

million and $2.1 million of which there was no specific reserve. The Company classifies all nonaccrual loans as impaired loans, except smaller-balance homogeneous loans that are collectively evaluated for impairment.

TABLE 7
NONPERFORMING ASSETS AND RISK ELEMENTS

(dollars in thousands)	JUNE 30, 1998		December 31, 1997		June 30, 1997	
Impaired commercial and agricultural loans	$4,189	77%	$3,856	73%	$2,379	66%
Other nonaccrual loans:						
Real estate mortgage	457	8%	692	13%	513	14%
Consumer	824	15%	708	14%	727	20%
Total nonaccrual loans	5,470	100%	5,256	100%	3,619	100%
Other real estate owned	540		530		887	
Total nonperforming assets	6,010		5,786		4,506	
Loans 90 days or more past due and still accruing:						
Commercial and agricultural	393	40%	176	24%	172	24%
Real estate mortgage	265	27%	244	33%	343	49%
Consumer	325	33%	325	43%	191	27%
Total	983	100%	745	100%	706	100%
Restructured loans, in compliance with modified terms:						
Commercial and agricultural	-		-		-	
Total assets containing risk elements	$6,993		$6,531		$5,212	
Total nonperforming assets to loans		0.77%		0.79%		0.65%
Total assets containing risk elements to loans		0.90%		0.89%		0.75%
Total nonperforming assets to assets		0.46%		0.45%		0.36%
Total assets containing risk elements to assets		0.54%		0.51%		0.42%

TABLE 8
CHANGES IN NONACCRUAL AND IMPAIRED LOANS

(dollars in thousands)	Three months ended June 30, 1998	Three months ended June 30, 1997	Six months ended June 30, 1998	Six months ended June 30, 1997
Balance at beginning of period	$5,823	$3,258	$5,256	$3,320
Loans placed on nonaccrual	1,722	1,563	4,110	2,688
Charge-offs	(869)	(494)	(1,480)	(882)
Payments	(925)	(306)	(1,825)	(1,045)
Transfers to OREO	(276)	(247)	(580)	(307)
Loans returned to accrual	(5)	(155)	(11)	(155)
Balance at end of period	$5,470	$3,619	$5,470	$3,619

CHANGES IN OREO

Balance at beginning of period	$ 564	$ 732	$ 530	$1,242
Additions	277	286	581	352
Sales	(300)	(117)	(565)	(604)
Write-downs	(1)	(14)	(6)	(103)
Balance at end of period	$ 540	$ 887	$ 540	$ 887

DEPOSITS

Customer deposits represent the greatest source of funding assets. Average total deposits for the quarter ended June 30, 1998, increased $69.4 million, or 7.2% from the same period in 1997. The majority of this increase was time deposits, which increased $52.6 million between the reporting periods. This increase can be attributed to municipal time deposits. The Company also experienced a $17.8 million increase in average demand deposits, while average savings deposits experienced a minimal decline between quarters.

BORROWED FUNDS

The Company's borrowed funds consist of short-term borrowings and other borrowings. Short-term borrowings include federal funds purchased, securities sold under agreement to repurchase, and other short-term borrowings which consist primarily of Federal Home Loan Bank (FHLB) advances with an original maturity of one day up to one year. Other borrowings consist of fixed rate FHLB advances with an original maturity greater than one year. Average borrowings for the quarter ended June 30, 1998 decreased $10.5 million, or 8.2% as compared to the same period of 1997.

CAPITAL AND DIVIDENDS

Stockholders' equity of $129 million represents 9.9% of total assets at June 30, 1998, compared with $123 million, or 9.6% at December 31, 1997 and $114 million, or 9.2% a year previous. The equity increase is primarily due to earnings retention.

In December of 1997, the Company distributed a 5% stock dividend for the thirty-eighth consecutive year. On June 15, 1998 the Company distributed a four-for-three stock split effected in the form of a dividend. In July of 1998, the Company declared a regular quarterly cash dividend of $0.17 per share, equivalent to an annual dividend of $0.68 per share. 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.

Capital is an important factor in ensuring the safety of depositors' accounts. For both 1997 and 1996, the Company 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.

As the capital ratios in Table 9 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 and Risk-based Capital ratios have regulatory minimum guidelines of 4% and 8% respectively, with requirements to be considered well capitalized of 6% and 10%, respectively.

TABLE 9

CAPITAL MEASUREMENTS

1998	First Quarter	SECOND QUARTER	Third Quarter	Fourth Quarter
Tier 1 leverage ratio	9.19%	9.27%		
Tier 1 capital ratio	15.30%	15.13%		
Total risk-based capital ratio	16.56%	16.38%		
Cash dividends as a percentage of net income	30.33%	36.55%		
Per common share:				
Book value	$10.52	$10.74		
Tangible book value	$ 9.83	$10.07		
1997				
Tier 1 leverage ratio	8.91%	8.75%	8.76%	8.91%
Tier 1 capital ratio	14.53%	14.46%	14.47%	14.88%
Total risk-based capital ratio	15.78%	15.71%	15.73%	16.13%
Cash dividends as a percentage of net income	36.46%	34.27%	35.90%	37.72%
Per common share:				
Book value	$ 9.00	$ 9.53	$ 9.93	$10.26
Tangible book value	$ 8.19	$ 8.75	$ 9.18	$ 9.54

The accompanying Table 10 presents the high, low and closing sales price for the common stock as reported on the NASDAQ National Market System, and cash dividends declared per share of common stock. At June 30, 1998, total market capitalization of the Company's common stock was approximately $305 million compared to $243 million at December 31, 1997 and $229 million at June 30, 1997. The change in market capitalization is due to an increase in the stock's market price. The Company's price to book value ratio was 2.36 at June 30, 1998 and 2.02 a year ago. The per share market price was 16 times annualized earnings at June 30, 1998 and 15 times annualized earnings at June 30, 1997.

TABLE 10
QUARTERLY COMMON STOCK AND DIVIDEND INFORMATION

Quarter Ending	High	Low	Close	Cash Dividends Declared
1997				
March 31	$14.29	$12.59	$13.93	$0.107
June 30	19.20	13.93	19.20	0.107
September 30	19.11	15.89	18.84	0.122
December 31	20.77	17.15	20.25	0.128
1998				
MARCH 31	$21.00	$17.63	$21.00	$0.128
JUNE 30	25.88	20.25	25.38	0.170

LIQUIDITY AND INTEREST RATE SENSITIVITY MANAGEMENT

The primary objectives of asset and liability management are to provide for the safety of depositor and investor funds, assure adequate liquidity, and maintain an appropriate balance between interest sensitive earning assets and interest bearing liabilities. Liquidity management involves the ability to meet the cash flow requirements of customers who may be depositors wanting to withdraw funds or borrowers needing assurance that sufficient funds will be available to meet their credit needs. The Asset/Liability Management Committee (ALCO) is responsible for liquidity management and has developed guidelines which cover all assets and liabilities, as well as off balance sheet items that are potential sources or uses of liquidity. Liquidity must also provide the flexibility to implement appropriate strategies and tactical actions. Requirements change as loans grow, deposits and securities mature, and payments on borrowings are made. Interest rate sensitivity management seeks to avoid widely fluctuating net interest margins and to ensure consistent net interest income through periods of changing economic conditions.

The Company's primary measure of liquidity is called the basic surplus, which compares the adequacy of cash sources to the amounts of volatile funding sources. 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. Accordingly, the Company has established borrowing agreements with other banks (Federal Funds), the Federal Home Loan Bank of New York (short and long-term borrowings which are denoted as advances), and repurchase agreements with investment companies.

At June 30, 1998 and 1997, the Company's basic surplus ratios (net access to cash and secured borrowings as a percentage of total assets) were approximately 6% and 8%, respectively. The Company has set a present internal minimum guideline range of 5% to 7%. As these ratios indicate, the Company's liquidity is within management standards. In addition, the Asset/Liability Management Committee has determined that liquidity is adequate to meet the cash flow requirements of the Company.

Interest rate risk is determined by the relative sensitivities of earning asset yields and interest bearing liability costs to changes in interest rates. The method by which banks evaluate interest rate risk is to look at the interest sensitivity gap, the difference between interest sensitive assets and interest sensitive liabilities repricing during the same period, measured at a specific point in time. Through analysis of the interest sensitivity gap, the Company attempts to position its assets and liabilities to maximize net interest income in several different interest rate scenarios. As of June 30, 1998, the interest sensitivity gap indicates that the Company is liability sensitive in the short term and supports management's contention that the Company is positioned to benefit from a declining interest rate environment over the next twelve months. The nature and timing of the benefit will be initially impacted by the extent to which core deposit and borrowing rates are lowered as rates decline. The Company becomes asset sensitive after the one-year time frame and, therefore, would benefit in the long-term from rising interest rates.

While the static gap evaluation of interest rate sensitivity is useful, it is not indicative of the impact of fluctuating interest rates on net interest income. Once the Company determines the extent of gap sensitivity, the next step is to quantify the potential impact of the interest sensitivity on net interest income. The Company utilizes a simulation model which measures the effect certain assumptions will have on net interest income over a short period of time, usually one or two years. These assumptions include, but are not limited to prepayments, potential call options of the investment portfolio and various interest rate environments. The following table presents the impact on net interest income of a gradual twelve-month increase or decrease in interest rates compared to a stable interest rate environment. The simulation projects net interest income over the next year using the June 30, 1998 balance sheet position.

TABLE 11
INTEREST RATE SENSITIVITY ANALYSIS

Change in interest rates (in basis points)	Percent change in net interest income
+200	(4.54%)
+100	(2.46%)
- -100	0.95%
- -200	0.84%

SELECTED FIVE YEAR DATA	1997	1996	1995	1994	1993
(dollars in thousands, except per share data)					
Net income	$ 14,749	$ 12,179	$ 9,329	$ 6,508	$ 8,505
Return on average assets	1.20%	1.10%	0.90%	0.64%	0.93%
Return on average equity	12.97%	11.80%	9.18%	6.53%	8.79%
Net interest margin	4.67%	4.69%	4.43%	4.81%	5.26%
Efficiency ratio	56.09%	60.74%	65.92%	70.22%	71.05%
Expense ratio	2.20%	2.41%	2.51%	2.96%	3.21%
Tier 1 leverage ratio	8.91%	8.70%	8.80%	9.05%	9.24%
Tier 1 risk-based capital ratio	14.88%	14.06%	15.21%	16.09%	15.40%
Total risk-based capital ratio	16.13%	15.31%	16.46%	17.35%	16.66%
Cash dividend per share payout	37.91%	36.50%	42.61%	56.13%	39.19%
Earnings per share:					
Basic	$ 1.24	$ 1.03	$ 0.76	$ 0.53	$ 0.69
Diluted	$ 1.22	$ 1.02	$ 0.76	$ 0.52	$ 0.68
Cash dividends paid	$ 0.464	$ 0.373	$ 0.322	$ 0.291	$ 0.268
Book value	$ 10.26	$ 9.08	$ 8.89	$ 7.94	$ 8.15
Tangible book value	$ 9.54	$ 8.23	$ 7.94	$ 7.15	$ 7.10
Stock dividends distributed	5.00%	5.00%	5.00%	5.00%	5.00%
Market price:					
High	$ 20.77	$ 13.58	$ 12.24	$ 11.42	$ 11.42
Low	$ 12.59	$ 10.72	$ 10.21	$ 9.26	$ 7.79
End of year	$ 20.25	$ 12.86	$ 11.91	$ 10.69	$ 11.26
Price/earnings ratio (assumes dilution)	16.56X	12.59x	15.73x	20.49x	16.59x
Price/book value ratio	1.97X	1.42x	1.34x	1.35x	1.38x
Total assets	$1,280,585	$1,138,986	$1,106,266	$1,044,557	$953,907
Total stockholders' equity	$ 123,343	$ 106,264	$ 108,044	$ 98,307	$101,108
Average diluted common shares outstanding (thousands)	12,096	11,918	12,320	12,515	12,455

* All per share data has been restated to give retroactive effect to stock dividends and splits.

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, 1998.

Item 2 -- Changes in Securities

Following are listed changes in the Company's Common Stock outstanding during the quarter ended June 30, 1998 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, 1998.

The Company has Stock Option Plans covering key employees. In January 1998, non-qualified stock options were granted for 160,933 shares of common stock at an option price of $20.03 per share. In April 1998, non-qualified stock options were granted for 2,000 shares of common stock at an option price of $20.74 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, 1998 are non-qualified stock options covering 614,535 shares at exercise prices ranging between $6.44 and $20.74 with expiration dates between February 12, 1999, and April 6, 2008. There are 1,585,818 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).

In 1995, the Company granted its then Chairman stock options in connection with the discharge of severance obligations of the Company and the Bank under his employment agreement. The agreement issued options covering 191,081 and 40,032 shares with exercise prices of $10.49 and $10.95, respectively, and an expiration date of January 31, 1997 (the number of shares under option and the option price per share have been adjusted for stock dividends and splits). The Company filed a registration statement relating to these option shares. These stock options did not reduce the number available under the previously mentioned Plans.

The Company has a Dividend Reinvestment Plan for stockholders under which no new shares of common stock were issued for the quarter ended June 30, 1998. There are 701,015 shares of authorized but unissued common stock designated for possible issuance under the Plan (the number of shares available has been adjusted for stock dividends and splits). (FORM S-3, Registration Statement No. 33-12247, filed with the Commission on February 26, 1987).

The Company's Board of Directors has reserved 35,000 of authorized but unissued shares for future payment of an annual Board retainer. In January 1998, each Director was granted 149 shares which are restricted from one to three years for payment of their 1998 Board retainer (the number of shares available and granted has been adjusted for stock dividends and splits). Shares were purchased from treasury therefore the number of authorized and unissued shares was not effected.

The Company's Board of Directors has authorized the purchase on the open market by the Company 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 Company's Employee Stock Ownership Plan, Automatic Dividend Reinvestment and Stock Purchase Plan, Stock Option Plans, Retirement Savings Plan, Restricted Stock Agreements and Bank Trust Department directed IRA and HR-10 accounts. Purchases and sales during 1998 totalled 91,100 and 91,746, respectively, with 415,225 shares in treasury at June 30, 1998. Purchases were made at the prevailing market price in effect at the dates of the transactions. Subsequent sales to both the Company'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 Company's common stock on the National Market System of NASDAQ.

The Company currently 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 Company has a Stockholder Rights Plan (Plan) designed to ensure that any potential acquiror of the Company negotiate with the Board of Directors and that all Company stockholders are treated equitably in the event of a takeover attempt. When the Plan was adopted, the Company paid a dividend of one Preferred Share Purchase Right (Right) for each outstanding share of common stock of the Company. Similar Rights are attached to each share of the Company'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 Company's outstanding common stock, begins a tender or exchange offer for 25 percent or more of the Company's outstanding common stock, or an adverse person, as declared by the Board of Directors, acquires 10 percent or more of the Company's outstanding common stock. Additionally, until the occurrence of such an event, the Rights are not severable from the Company's common stock and therefore, the Rights will be transferred upon the transfer of shares of the Company'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, 1998.

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, 1998. The results of the election of directors and ratification of auditors at the Annual Meeting of Stockholders held April 18, 1998 was previously reported in Form 10-Q, March 31, 1998.

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, 1998.

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 14th day of August, 1998.

NBT BANCORP INC.

By: /S/ JOE C. MINOR
Joe C. Minor
Executive 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, 1998	Herein

EXHIBIT 27.1
Financial Data Schedule for the six months ended
June 30, 1998

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM NBT BANCORP INC'S FORM 10-Q FOR THE PERIOD ENDED JUNE, 30, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO FINANCIAL STATEMENTS

1,000
U.S. DOLLARS

6-MOS
DEC-31-1998
JAN-1-1998
JUN-30-1998
1
38,963
3,976
0
0
409,184
37,137
37,137
779,087
12,239
1,298,442
1,000,901
152,150
6,173
10,178
0
0
12,426
116,614
1,298,442
34,601
15,822
109
50,532
19,079
22,389
28,143
2,250
445
18,941
12,059
9,782
0
0
9,782
.81
.80
4.72
5,470
983
0
27,105
11,582
2,003
410
12,239
8,578
0
3,661