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, 1999.
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, 1999, there were 12,418,983 shares outstanding 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, 1999

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NBT BANCORP INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)	JUNE 30, 1999 (UNAUDITED)	December 31, 1998	June 30, 1998 (Unaudited)
ASSETS			
Cash	$ 51,849	$ 47,181	$ 42,939
Loans held for sale	3,023	2,887	2,483
Securities available for sale, at fair value	350,495	355,758	409,184
Securities held to maturity (fair value-$35,942, $35,095 and $37,137)	35,942	35,095	37,137
Loans:			
Commercial and agricultural	427,049	388,509	355,945
Real estate mortgage	170,810	160,025	148,660
Consumer	279,320	272,971	274,482
Total loans	877,179	821,505	779,087
Less allowance for loan losses	13,361	12,962	12,239
Net loans	863,818	808,543	766,848
Premises and equipment, net	20,424	20,241	20,525
Intangible assets, net	7,072	7,572	8,080
Other assets	18,147	12,732	11,246
TOTAL ASSETS	$1,350,770	$1,290,009	$1,298,442
LIABILITIES AND STOCKHOLDERS' EQUITY			
Deposits:			
Demand (noninterest bearing)	$ 146,106	$ 154,146	$ 139,321
Savings, NOW, and money market	384,220	391,614	382,546
Time	481,948	498,445	479,034
Total deposits	1,012,274	1,044,205	1,000,901
Short-term borrowings	169,301	96,589	152,150
Other borrowings	35,164	10,171	10,178
Other liabilities	6,878	8,412	6,173
Total liabilities	1,223,617	1,159,377	1,169,402
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 13,015,789, 13,015,789 and 12,425,758	13,016	13,016	12,426
Capital surplus	111,526	111,749	97,110
Retained earnings	20,834	15,512	25,448
Accumulated other comprehensive income (loss)	(4,426)	3,317	2,400
Common stock in treasury at cost, 635,642, 599,507, and 415,225 shares	(13,797)	(12,962)	(8,344)
Total stockholders' equity	127,153	130,632	129,040
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$1,350,770	$1,290,009	$1,298,442

See notes to interim consolidated financial statements.

NBT BANCORP INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)	Three months ended June 30, 1999	Three months ended June 30, 1998	Six months ended June 30, 1999	Six months ended June 30, 1998
	(Unaudited)			
Interest and fee income:				
Loans and loans held for sale	$18,422	$17,563	$36,430	$34,601
Securities - taxable	6,194	7,376	11,876	15,267
Securities - tax exempt	240	281	478	555
Other	75	56	156	109
Total interest and fee income	24,931	25,276	48,940	50,532
Interest expense:				
Deposits	8,302	9,588	16,586	19,079
Short-term borrowings	1,207	1,445	2,282	3,120
Other borrowings	469	135	624	190
Total interest expense	9,978	11,168	19,492	22,389
Net interest income	14,953	14,108	29,448	28,143
Provision for loan losses	975	1,150	1,950	2,250
Net interest income after provision for loan losses	13,978	12,958	27,498	25,893
Noninterest income:				
Trust	835	802	1,670	1,604
Service charges on deposit accounts	1,059	900	2,020	1,769
Net securities gains	199	227	670	445
Other	610	610	1,402	1,289
Total noninterest income	2,703	2,539	5,762	5,107
Noninterest expense:				
Salaries and employee benefits	4,525	4,607	9,141	9,294
Office supplies and postage	467	465	940	965
Occupancy	735	695	1,409	1,381
Equipment	687	580	1,308	1,060
Professional fees and outside services	586	615	1,153	1,263
Data processing and communications	968	862	1,878	1,763
Amortization of intangible assets	250	271	501	562
Other operating	856	1,444	1,524	2,653
Total noninterest expense	9,074	9,539	17,854	18,941
Income before income taxes	7,607	5,958	15,406	12,059
Income taxes	2,875	1,248	5,863	2,277
NET INCOME	$ 4,732	$ 4,710	$ 9,543	$ 9,782
Earnings per share:				
Basic	$ 0.38	$ 0.37	$ 0.77	$ 0.77
Diluted	$ 0.38	$ 0.37	$ 0.76	$ 0.76

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

See notes to interim consolidated financial statements.

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

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
(in thousands, except share and per share data)						
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 - $0.284 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
BALANCE AT DECEMBER 31, 1998	$13,016	$111,749	$15,512	$ 3,317	$(12,962)	$130,632
Net income			9,543			9,543
Cash dividends - $0.340 per share			(4,205)			(4,205)
Payment in lieu of fractional shares			(16)			(16)
Purchase of 179,500 treasury shares					(3,943)	(3,943)
Sale of 143,365 treasury shares to employee benefit plans and other stock plans		(223)			3,108	2,885
Unrealized loss on securities available for sale, net of reclassification adjustment, and deferred taxes of $5,348				(7,743)		(7,743)
BALANCE AT JUNE 30, 1999	$13,016	$111,526	$20,834	$ (4,426)	$(13,797)	$127,153

See notes to interim consolidated financial statements.

NBT BANCORP INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Six months ended June 30, 1999	1998
	(Unaudited)	
OPERATING ACTIVITIES:		
Net income	$ 9,543	$ 9,782
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,950	2,250
Depreciation of premises and equipment	1,084	986
Amortization of premiums and accretion of discounts on securities	(712)	(878)
Amortization of intangible assets	501	562
Proceeds from sale of loans originated for sale	1,199	2,408
Loans originated for sale	(1,335)	(1,605)
Net gain on sale of other real estate owned	(533)	(65)
Net realized gains on sales of securities	(670)	(445)
(Increase) decrease in interest receivable	(393)	513
Decrease in interest payable	(393)	(70)
Other, net	(1,597)	(2,675)
Net cash provided by operating activities	8,644	10,763
INVESTING ACTIVITIES:		
Securities available for sale:		
Proceeds from maturities	39,949	35,893
Proceeds from sales	54,957	93,565
Purchases	(101,352)	(96,650)
Securities held to maturity:		
Proceeds from maturities	13,148	10,502
Purchases	(13,995)	(11,500)
Net increase in loans	(57,448)	(45,198)
Purchase of premises and equipment, net	(1,267)	(2,750)
Proceeds from sales of other real estate owned	1,537	644
Net cash used in investing activities	(64,471)	(15,494)
FINANCING ACTIVITIES:		
Net decrease in deposits	(31,931)	(13,282)
Net increase in short-term borrowings	72,712	17,623
Proceeds from issuance of other borrowings	25,000	10,000
Repayments of other borrowings	(7)	(5)
Proceeds from issuance of treasury shares to employee benefit plans and other stock plans	2,885	2,306
Purchase of treasury stock	(3,943)	(2,831)
Cash dividends and payment for fractional shares	(4,221)	(3,587)
Net cash provided by financing activities	60,495	10,224
Net increase in cash and cash equivalents	4,668	5,493
Cash and cash equivalents at beginning of year	47,181	37,446
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 51,849	$ 42,939
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: Cash paid during the period for:		
Interest	$ 19,885	$ 22,459
Income taxes	6,658	3,894

See notes to interim consolidated financial statements.

NBT BANCORP INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)	Three months ended June 30, 1999	Three months ended June 30, 1998	Six months ended June 30, 1999	Six months ended June 30, 1998
		(Unaudited)		
Net Income	$ 4,732	$ 4,710	$ 9,543	$ 9,782
Other comprehensive income, net of tax				
Unrealized holding gains (losses) arising during period [pre-tax amounts of $(9,460), $1,256, $(12,421) and $482]	(5,596)	748	(7,347)	290
Less: Reclassification adjustment for net gains included in net income [pre-tax amounts of $(199), $(227), $(670) and $(445)]	(117)	(134)	(396)	(263)
Total other comprehensive income (loss)	(5,713)	614	(7,743)	27
Comprehensive income (loss)	$ (981)	$ 5,324	$ 1,800	$ 9,809

See notes to interim consolidated financial statements.

NBT BANCORP INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1999

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.

The balance sheet at December 31, 1998 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, 1999 are not necessarily indicative of the results that may be expected for the year ending December 31, 1999. 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, 1998.

Basic earnings per share excludes dilution and is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. All share and per share data has been adjusted retroactively for stock dividends and splits. The following is a reconciliation of basic and diluted earnings per share for the periods presented in the income statement.

Three months ended June 30,	1999	1998
(in thousands, except per share data)		
Basic EPS:		
Weighted average common shares outstanding	12,388	12,616
Net income available to common shareholders	$ 4,732	$ 4,710
Basic EPS	$ 0.38	$ 0.37
Diluted EPS:		
Weighted average common shares outstanding	12,388	12,616
Dilutive common stock options	139	280
Weighted average common shares and common share equivalents	12,527	12,896
Net income available to common shareholders	$ 4,732	$ 4,710
Diluted EPS	$ 0.38	$ 0.37

Six months ended June 30,	1999	1998
(in thousands, except per share data)		
Basic EPS:		
Weighted average common shares outstanding	12,404	12,631
Net income available to common shareholders	$ 9,543	$ 9,782
Basic EPS	$ 0.77	$ 0.77
Diluted EPS:		
Weighted average common shares outstanding	12,404	12,631
Dilutive common stock options	148	245
Weighted average common shares and common share equivalents	12,552	12,876
Net income available to common shareholders	$ 9,543	$ 9,782
Diluted EPS	$ 0.76	$ 0.76

RECENT ACCOUNTING PRONOUNCEMENTS AND DEVELOPMENTS

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (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. During the second quarter of 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB No. 133". FASB No. 137 defers the effective date of FASB No. 133 by one year from fiscal quarters of fiscal years beginning after June 15, 1999 to fiscal quarters of fiscal years beginning after June 15, 2000. 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.

NBT BANCORP INC. AND SUBSIDIARY
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 1998 FORM 10-K for an understanding of the following discussion and analysis. In June of 1998, the Company distributed a four-for-three stock split effected in the form of a 33 1/3% stock dividend. In December 1998, the Company distributed a 5% stock dividend, the thirty-ninth consecutive year a stock dividend has been declared. Throughout this discussion and analysis, amounts per common share and common shares outstanding have been adjusted retroactively for stock dividends and splits.

Certain statements in this release and other public releases by the Company contain forward-looking information, as defined in the Private Securities Litigation Reform Act. These statements may be identified by the use of phrases such as "anticipate," "believe," "expect," "forecasts," "projects," or other similar terms. Actual results may differ materially from these statements since such statements involve significant known and unknown rules and uncertainties. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, among others, the following possibilities: (1) an increase in competitive pressures in the banking industry; (2) changes in the interest rate environment; (3) changes in the regulatory environment; (4) general economic environment conditions, either nationally or regionally, may be less favorable than expected, resulting in, among other things, a deterioration in credit quality; (5) changes may incur in business conditions and inflation; and (6) unforeseen risks associated with the Year 2000 issue.

YEAR 2000

The Year 2000 issue presents a number of difficult challenges to the Company. Information systems are often complex and have been developed over many years through a variety of computer languages and hardware platforms. The Year 2000 issue refers to the programming of existing software applications using a two digit year field. This coding presents a potential problem when the year begins with "20", instead of "19". Computers may interpret the year as 1900 instead of 2000, creating possible system failure or miscalculation of financial data.

A committee continues to direct the Company's Year 2000 activities under the framework of the FFIEC's Five-Step Program. The FFIEC's Five-Step Program includes the following phases: Awareness, Assessment, Renovation, Validation and Implementation. The Awareness Phase, 100% complete, defines the Year 2000 problem and gains executive level support for the necessary resources to prepare the Company for Year 2000 compliance. The Assessment Phase, 100% complete, assesses the size and complexity of the problem and details the magnitude of the effort necessary to address the Year 2000 issues. Although the Awareness and Assessment Phases are complete, the Company will continue to evaluate any new issues as they arise. The Renovation Phase, 100% complete, includes code enhancements, hardware and software updates, system replacements, vendor certification, and other associated changes. The Validation Phase, 100% complete, includes the testing of incremental changes to hardware and software components. The Implementation Phase, 100% complete, certifies that systems are Year 2000 compliant and have been accepted by the end users. The Company has been addressing Informational Technology (IT) and non IT systems. The Company has categorized all systems as mission critical, high, medium or low priority with respect to its ability to influence business functions. The Company has completed the testing of mission critical applications without negative findings. In some cases, the Company is relying on the service providers and software vendors to facilitate proxy testing with a select group of users, including the Company. The Company approved the test plans to ensure Year 2000 compliance of those systems. The Company has also contracted with McGladrey and Pullen, LLP to perform an independent third party review of all proxy test results. The McGladrey and Pullen, LLP review did not identify any significant Year 2000 issues. To ensure compliance of non IT systems where testing is not possible, the Company has contacted the manufacturers and suppliers for Year 2000 certification. Based on responses from manufacturers and suppliers of non IT systems, the Company does not anticipate incurring any material expenses due to unpreparedness of the non IT systems.

The Company has identified material third party relationships to minimize the potential loss from unpreparedness of these parties. The Company continues to work closely with Fiserv, its data services and items processing provider, regarding Year 2000 compliance.

The Company has tested its mission critical trust accounting system to ensure Year 2000 compliance. The testing and validation of this system was completed during the fourth quarter of 1998. Test results were reviewed by internal staff and did not disclose any significant Year 2000 issues. In addition, the system was also tested by the software vendor and two user groups made up of other banks. Results of these tests did not identify any significant Year 2000 issues. Non mission critical systems in use by the trust department have been reviewed for Year 2000 compliance. In addition, the trust department is following the FFIEC's Year 2000 Fiduciary Service Guidance. The fiduciary review includes the following steps: account and asset administration, third party risk, counter party risk, transfer agent risk, and client disclosure. A Year 2000 compliance review is being conducted on those companies in which significant trust assets are invested. As of June 30, 1999 the companies where approximately 96% of significant assets are invested had been preliminarily reviewed and 94% have received at least two reviews. Updates on the status of these companies will continue throughout 1999. The trust account review process has been modified to include specific Year 2000 issues. Third party and counter party fiduciary risk is being addressed by communicating with various vendors and service providers to ascertain their Year 2000 compliance. All customers and beneficiaries of the trust department have been contacted regarding the Company's efforts to identify and reduce Year 2000 risk.

The Company has evaluated the Year 2000 readiness of its major borrowers and fund providers to assess their readiness and identify potential problems. The Company has assessed the preparedness of its 75 largest commercial borrowers, as well as 125 random commercial borrowers. These borrowers were evaluated and rated as low, medium or high risk. For the medium and high risk customers, an action plan for compliance has been developed, up to and including credit risk downgrades and requests for additional collateral. The Company has also assessed the preparedness of its 60 largest deposit account relationships, as well as 45 random depositors. The providers were also evaluated and rated as low, medium or high risk. The Company has scheduled follow up with the high risk and material fund providers to ensure they are taking necessary steps to become Year 2000 compliant. The Company also completed an assessment of its other material funding sources and counter parties, with no high risk relationships being identified. Continuous monitoring of significant new relationships is performed to ensure Year 2000 preparedness. In addition, the Company has modified its liquidity crisis plan to minimize funding risk due to the Year 2000 issue. The Company is monitoring customer behavior to determine the cash availability requirements and the associated impact to its liquidity funding position and will update the liquidity crisis plan as necessary.

As of June 30, 1999 the Company has incurred approximately $510,000 in expenses directly related to the Year 2000 issue. Additionally, the Company forecasts spending approximately $115,000 by December 31, 1999 to ensure Year 2000 readiness. These amounts include the cost of additional hardware and software, as well as technology consultants contracted to assist in the preparation for the Year 2000; however, they do not include a valuation for the considerable time employees spent or will spend on Year 2000 preparedness. The Company has included the cost of the Year 2000 issue in its 1999 annual budget. Due to the uniqueness of the Year 2000 issue, it is difficult to quantify the potential loss in revenue. Based on efforts to ensure systems will function properly, the Company believes it reasonable that no material loss in revenue will occur. The Company believes that its reasonably likely worst case Year 2000 scenario is a material increase in credit losses due to Year 2000 problems of the Company's borrowers, as well as disruption in financial markets causing liquidity stress. As previously mentioned, the Company has attempted to minimize these risks by identifying the material borrowers and fund providers and assessing their progress toward Year 2000 compliance.

The Company has developed a business resumption contingency plan to help ensure continued operations in the event of Year 2000 system failures. This contingency plan is consistent with the Company's disaster recovery plan with modifications for Year 2000 risks. The business resumption contingency plan has been tested and independently validated in accordance with FFIEC guidelines.

OVERVIEW

Net income of $4.7 million ($0.38 per diluted share) was recognized in the second quarter of 1999, compared to second quarter 1998 net income of $4.7 million ($0.37 per diluted share). The second quarter net income before taxes of $7.6 million was $1.6 million higher than second quarter 1998. The increase in pre-tax income can be attributed to improvements in the net interest income, noninterest income and noninterest expense categories. The increase in pretax income is indicative of the strong core earnings capacity of the Company. Second quarter 1998 earnings include an approximate $1 million tax benefit available only through year-end 1998, arising from a corporate realignment within the Company.

Net income of $9.5 million ($0.76 per diluted share) was recognized for the six month period ended June 30, 1999, compared to net income of $9.8 million ($0.76 per diluted share) for the first six months of 1998. The first six months of 1998 included an approximate $2 million tax benefit previously described. Net income before taxes of $15.4 million for the first six months of 1999 increased $3.3 million compared to the same period of 1998. The increased pre tax income for the six month period ended June 30, 1999 was driven by factors similar to those of second quarter 1999.

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 declined for the three and six month periods ended June 30, 1999 compared to the same periods a year previous. The decline in these ratios can be attributed to the increased income tax expense previously mentioned.

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. The positive trend in net interest margin is critical to the improved profitability of the Company.

TABLE 1
PERFORMANCE MEASUREMENTS

	First Quarter	SECOND QUARTER	SIX MONTHS	Third Quarter	Fourth Quarter	Twelve Months
1999						
Return on average assets	1.54%	1.44%	1.49%			
Return on average equity	14.87%	14.59%	14.73%			
Net interest margin	4.96%	4.87%	4.91%			
1998						
Return on average assets	1.60%	1.47%	1.54%	1.46%	1.40%	1.48%
Return on average equity	16.49%	14.92%	15.70%	14.54%	13.87%	14.93%
Net interest margin	4.75%	4.68%	4.72%	4.79%	4.80%	4.76%

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 1999 compared to the same period of 1998. This increase was primarily a result of the $27.9 million increase in average earning assets, while at the same time maintaining stable interest bearing liabilities.

Total FTE interest income decreased $0.3 million compared to the second quarter 1998. This decrease is a result of a decline in the yield on earning assets of 28 basis points, driven primarily by a decline in the loan portfolio yield. During the same time period, total interest expense decreased $1.2 million. This decrease is a result of a 47 basis point decline in the cost of interest bearing liabilities, driven primarily by a decline in the cost of certificates of deposit.

For the first six months of 1999, net FTE interest income increased $1.4 million over the comparable period of 1998. This increase can be attributed to a $7.1 million increase in average earning assets, while at the same time reducing interest bearing liabilities by $17.6 million. During the same period, the yield on earning assets decreased 30 basis points, primarily driven by the 52 basis point decline in the loan portfolio yield. The cost of interest bearing liabilities decreased 51 basis points for the six months ended June 30, 1999 compared to the same period of 1998. This decrease can be attributed primarily to a decline 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 4.87% for the second quarter of 1999, up from 4.68% during the same period in 1998. The net interest margin increased to 4.91% for first six months of 1999, up from 4.72% for the comparable period in 1998. The increase in the net interest margin during these periods is primarily a result of the increased interest rate spread. Also contributing to the improved net interest margin is 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 1999	1998	(dollars in thousands)	AMOUNTS 1999	1998	VARIANCE TOTAL	VOLUME	RATE
5.77%	5.18%	Interest bearing deposits	$ 2	$ 2	$ -	$ 1	$ (1)
		Federal funds sold and securities					
-%	3.78%	purchased under agreements to resell	-	5	(5)	(2)	(3)
4.69%	5.36%	Other short-term investments	73	49	24	30	(6)
6.75%	6.90%	Securities available for sale	6,008	7,171	(1,163)	(1,012)	(151)
7.31%	8.71%	Loans held for sale	62	72	(10)	2	(12)
		Securities held to maturity:					
6.50%	7.09%	Taxable	206	228	(22)	(3)	(19)
6.73%	7.03%	Tax exempt	349	409	(60)	(43)	(17)
8.69%	9.20%	Loans	18,481	17,543	938	1,952	(1,014)
8.06%	8.34%	Total interest income	25,181	25,479	(298)	925	(1,223)
2.73%	2.90%	Money Market Deposit Accounts	552	607	(55)	(21)	(34)
1.23%	1.66%	NOW accounts	417	530	(113)	30	(143)
2.72%	2.82%	Savings accounts	1,116	1,084	32	68	(36)
4.89%	5.41%	Certificates of deposit	6,217	7,367	(1,150)	(466)	(684)
4.67%	5.42%	Short-term borrowings	1,207	1,445	(238)	(44)	(194)
5.35%	5.31%	Other Borrowings	469	135	334	333	1
3.88%	4.35%	Total Interest Expense	9,978	11,168	(1,190)	(100)	(1,090)
		Net interest income	$15,203	$14,311	$ 892	$ 1,025	$ (133)
4.18%	3.99%	Interest rate spread					
4.87%	4.68%	Net interest margin					
		FTE adjustment	$ 250	$ 203			

Six months ended June 30,

ANNUALIZED YIELD/RATE 1999	1998	(dollars in thousands)	AMOUNTS 1999	1998	VARIANCE TOTAL	VOLUME	RATE
4.34%	5.14%	Interest bearing deposits	$ 5	$ 3	$ 2	$ 3	$ (1)
4.63%	3.96%	Federal funds sold	2	6	(4)	(4)	-
4.71%	5.40%	Other short-term investments	149	100	49	64	(15)
6.76%	7.04%	Securities available for sale	11,508	14,858	(3,350)	(2,785)	(565)
7.01%	8.24%	Loans held for sale	119	144	(25)	(4)	(21)
		Securities held to maturity:					
6.48%	6.88%	Taxable	409	453	(44)	(18)	(26)
6.59%	7.11%	Tax exempt	694	809	(115)	(57)	(58)
8.76%	9.28%	Loans	36,524	34,567	1,957	3,956	(1,999)
8.11%	8.41%	Total interest income	49,410	50,940	(1,530)	1,155	(2,685)
2.74%	2.90%	Money Market Deposit Accounts	1,170	1,245	(75)	(6)	(69)
1.37%	1.67%	NOW accounts	934	1,034	(100)	99	(199)
2.74%	2.83%	Savings accounts	2,198	2,153	45	118	(73)
4.93%	5.45%	Certificates of deposit	12,284	14,647	(2,363)	(1,012)	(1,351)
4.73%	5.55%	Short-term borrowings	2,282	3,120	(838)	(407)	(431)
5.34%	5.32%	Other Borrowings	624	190	434	433	1
3.89%	4.40%	Total Interest Expense	19,492	22,389	(2,897)	(775)	(2,122)
		Net interest income	$29,918	$28,551	$ 1,367	$1,930	$ (563)
4.22%	4.01%	Interest rate spread					
4.91%	4.72%	Net interest margin					
		FTE adjustment	$ 470	$ 408			

PROVISION AND ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is a valuation allowance established to provide for the estimated losses related to the collection of the Company's loan portfolio. The allowance is maintained at a level considered adequate to provide for loan loss exposure based on management's estimate of probable losses in the portfolio considering an evaluation of risk, 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 problem loans, credit concentration, and other risk factors such as economic conditions. The allowance for loan losses to outstanding loans at June 30, 1999 is 1.52%, compared to 1.57% for the same period in 1998. 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 and six months ended June 30, 1999 declined minimally compared to the same period of 1998. Annualized net charge-offs to average loans declined to 0.39% for the second quarter of 1999, down from 0.47% for the comparable period of 1998. Annualized net charge-offs to average loans declined to 0.37% for the first six months of 1999, compared to 0.43% for the comparable period of 1998. The decline in charge-offs as a percentage of average loans during 1999 indicates an improvement in the Company's loan quality.

TABLE 3

ALLOWANCE FOR LOAN LOSSES

(dollars in thousands)	Three months ended June 30, 1999	Three months ended June 30, 1998	Six months ended June 30, 1999	Six months ended June 30, 1998
Balance, beginning of period	$13,209	$11,984	$12,962	$11,582
Recoveries	195	222	389	410
Charge-offs	(1,018)	(1,117)	(1,940)	(2,003)
Net charge-offs	(823)	(895)	(1,551)	(1,593)
Provision for loan losses	975	1,150	1,950	2,250
Balance, end of period	$13,361	$12,239	$13,361	$12,239

COMPOSITION OF NET CHARGE-OFFS

	1999 (three months)	%	1998 (three months)	%	1999 (six months)	%	1998 (six months)	%
Commercial and agricultural	$ (458)	56%	$ (532)	59%	$ (783)	50%	$ (848)	53%
Real estate mortgage	(37)	4%	(34)	4%	(65)	4%	(55)	4%
Consumer	(328)	40%	(329)	37%	(703)	46%	(690)	43%
Net charge-offs	$ (823)	100%	$ (895)	100%	$(1,551)	100%	$(1,593)	100%
Annualized net charge-offs to average loans		0.39%		0.47%		0.37%		0.43%
Net charge-offs to average loans for the year ended December 31, 1998								0.42%

NONINTEREST INCOME

Table 4 below presents quarterly and period to date noninterest income. Noninterest income for the second quarter of 1999, excluding security gains and nonrecurring income, increased $0.2 million or 8.3% when compared to second quarter of 1998. Trust income continued its growth trend as managed assets have steadily increased. Deposit service charges have increased as the Company has experienced an increase in demand deposit accounts. Also contributing to the increase in noninterest income was a rise in ATM transaction income. For the six month period ended June 30, 1999, excluding security gains and nonrecurring income, noninterest income increased $0.4 million or 9.2% compared to the same period during 1998.

TABLE 4
NONINTEREST INCOME

(dollars in thousands)	First Quarter	SECOND QUARTER	SIX MONTHS	Third Quarter	Fourth Quarter	Twelve Months
1999						
Trust income	$ 835	$ 835	$1,670			
Service charges on deposit accounts	961	1,059	2,020			
Net securities gains	471	199	670			
Other income	792	610	1,402			
Total noninterest income	$3,059	$2,703	$5,762			
1998						
Trust income	$ 802	$ 802	$1,604	$ 803	$ 708	$3,115
Service charges on deposit accounts	869	900	1,769	956	1,024	3,749
Net securities gains	218	227	445	168	11	624
Other income	679	610	1,289	594	608	2,491
Total noninterest income	$2,568	$2,539	$5,107	$2,521	$2,351	$9,979

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, 1999 decreased $0.5 million compared to the same time period of 1998. Noninterest expense for the six month period ended June 30, 1999 decreased $1.1 million compared to the same time period of 1998.

Other operating expense for the second quarter of 1999 experienced a $0.6 million decline compared to the second quarter of 1998. In addition to a decline in recurring other operating expenses, the Company recognized a nonrecurring gain of $0.3 million on the sale of other real estate owned in the second quarter of 1999.

Equipment expense for the quarter ended June 30, 1999 experienced a $0.1 million increase compared to the same period in 1998, primarily attributable to increased equipment depreciation and maintenance.

The decrease in noninterest expense for the six months ended June 30, 1999 can be attributed to factors similar to those for the second quarter of 1999.

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 declined to 53.2% in the second quarter of 1999 from 57.4% for the same period of 1998. This decline was a result of the increases in net interest and noninterest income as well as a reduction 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 declined to 2.1% for the second quarter 1999 from 2.3% for the same period of 1998. This improvement can also be attributed to the reduction in noninterest expense and increased noninterest income between the reporting periods.

TABLE 5
NONINTEREST EXPENSE AND PRODUCTIVITY MEASUREMENTS

(dollars in thousands)	First Quarter	SECOND QUARTER	SIX MONTHS	Third Quarter	Fourth Quarter	Twelve Months
1999						
Salaries and employee benefits	$4,616	$4,525	$ 9,141			
Office supplies and postage	473	467	940			
Occupancy	674	735	1,409			
Equipment	621	687	1,308			
Professional fees and outside services	567	586	1,153			
Data processing and communications	910	968	1,878			
Amortization of intangible assets	251	250	501			
Other operating	668	856	1,524			
Total noninterest expense	$8,780	$9,074	$17,854			
Efficiency ratio	51.83%	53.16%	52.50%			
Expense ratio	2.04%	2.10%	2.07%			
Average full-time equivalent employees	486	486	486			
Average assets per average full-time equivalent employee (millions)	$ 2.6	$ 2.7	$ 2.7			
1998						
Salaries and employee benefits	$4,687	$4,607	$ 9,294	$4,920	$4,988	$19,202
Office supplies and postage	500	465	965	441	506	1,912
Occupancy	686	695	1,381	656	806	2,843
Equipment	480	580	1,060	668	647	2,375
Professional fees and outside services	648	615	1,263	724	849	2,836
Data processing and communications	901	862	1,763	872	942	3,577
Amortization of intangible assets	291	271	562	255	253	1,070
Other operating	1,209	1,444	2,653	1,171	1,489	5,313
Total noninterest expense	$9,402	$9,539	$18,941	$9,707	$10,480	$39,128
Efficiency ratio	56.67%	57.39%	57.03%	56.71%	60.84%	57.92%
Expense ratio	2.23%	2.25%	2.24%	2.27%	2.49%	2.31%
Average full-time equivalent employees	488	488	488	495	487	489
Average assets per average full-time equivalent employee (millions)	$ 2.6	$ 2.6	$ 2.6	$ 2.6	$ 2.7	$ 2.6

INCOME TAXES

Income tax expense was $2.9 million for the second quarter of 1999 compared with $1.2 million for the second quarter of 1998. For the first six months of 1999, income tax expense amounted to $5.9 million compared with $2.3 million in the first half of 1998. The increase in income taxes during 1999 can be attributed to an approximate $2.0 million tax benefit for the first six months of 1998 resulting from a corporate realignment. The increased income before income taxes between reporting periods also contributed to the increased tax expense.

BALANCE SHEET

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)	1999	1998	1999	1998
Cash and cash equivalents	$ 40,593	$ 36,394	$ 40,205	$ 36,798
Securities available for sale, at fair value	357,689	420,538	345,757	429,594
Securities held to maturity	33,579	36,254	33,983	36,209
Loans held for sale	3,403	3,316	3,416	3,528
Loans	852,964	764,547	840,731	751,352
Deposits	1,036,996	1,039,724	1,030,494	1,031,956
Short-term borrowings	103,687	106,998	97,383	113,337
Other borrowings	35,166	10,179	23,566	7,197
Stockholders' equity	130,128	126,605	130,665	125,658
Assets	1,317,013	1,288,574	1,292,307	1,285,067
Earning assets	1,253,412	1,225,520	1,228,008	1,220,912
Interest bearing liabilities	$1,030,460	$1,030,140	$1,009,364	$1,026,985

SECURITIES
Average total securities were $65.5 million less for the second quarter of 1999 than for the same period of 1998. During the second quarter of 1999, the securities portfolio represented 31.2% of average earning assets compared to 37.0% for the second quarter of 1998. Average total securities for the six month period ended June 30, 1999 were $86.1 million less than the same period of 1998. 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, 1999, the composition of the securities portfolio was 91% available for sale and 9% held to maturity.

LOANS
Average loan volume for the three months ended June 30, 1999 increased $88.4 million, or 11.6% over second quarter 1998. Average loan growth has been present in the commercial and mortgage portfolios with increases of $66.0 million and $23.9 million, respectively. Average consumer loans experienced a minimal decline between the reporting periods. The Company has continued to experience an increase in the demand for commercial loans, primarily in the business and real estate categories. Emphasis on marketing and improving product delivery has resulted in an increase in the mortgage portfolio during the recent period of high refinance activity. 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, 1999 decreased $2.3 million compared to June 30, 1998. The primary reason for the decrease in nonperforming assets was a $2.0 million decline in impaired commercial and agricultural loans, attributable to the sale of real estate property pledged as collateral for these loans. The changes in nonperforming assets are presented in Table 7 below.

At June 30, 1999, the recorded investment in impaired loans was $2.2 million. Included in this amount is $0.5 million of impaired loans for which the specifically allocated allowance for loan loss is $0.2 million. In addition, included in impaired loans is $1.7 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, 1998, the recorded investment in impaired loans was $2.4 million, of which $1.1 million had a specific allowance allocation of $0.2 million and $1.3 million for which there was no specific reserve. At June 30, 1998, the recorded investment in impaired loans was $4.2 million, of which $1.5 million had a specific allowance allocation of $0.3 million and $2.7 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, 1999		December 31, 1998		June 30, 1998	
Commercial and agricultural	$2,221	67%	$2,394	67%	$4,189	77%
Real estate mortgage	472	14%	437	12%	457	8%
Consumer	646	19%	762	21%	824	15%
Total nonaccrual loans	3,339	100%	3,593	100%	5,470	100%
Other real estate owned	410		1,164		540	
Total nonperforming assets	3,749		4,757		6,010	
Loans 90 days or more past due and still accruing:						
Commercial and agricultural	187	43%	291	25%	393	40%
Real estate mortgage	107	24%	341	30%	265	27%
Consumer	147	33%	526	45%	325	33%
Total	441	100%	1,158	100%	983	100%
Total assets containing risk elements	$4,190		$5,915		$6,993	
Total nonperforming assets to loans		0.43%		0.58%		0.77%
Total assets containing risk elements to loans		0.48%		0.72%		0.90%
Total nonperforming assets to assets		0.28%		0.37%		0.46%
Total assets containing risk elements to assets		0.31%		0.46%		0.54%

DEPOSITS

Customer deposits represent the greatest source of funding assets. Average total deposits for the quarter ended June 30, 1999 and 1998 were $1.0 billion. While average total deposits remained stable between the reporting periods, the mix changed with demand and savings deposits experiencing increases of $18.6 million and $14.6 million, respectively, while time deposits declined $36.0 million.

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, 1999 increased $21.7 million, or 18.5% as compared to the same period of 1998.

CAPITAL AND DIVIDENDS

Stockholders' equity of $127.2 million represents 9.4% of total assets at June 30, 1999, compared with $130.6 million, or 10.1% at December 31, 1998 and $129.0 million, or 9.9% a year previous. The equity decrease is due to the depreciation in the value of the securities available for sale portfolio.

In December of 1998, the Company distributed a 5% stock dividend, the thirty-ninth consecutive year a stock dividend has been declared. In July of 1999, 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 1998 and 1997, 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 8 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 3%, 4% and 8% respectively, with requirements to be considered well capitalized of 5%, 6% and 10%, respectively.

TABLE 8
CAPITAL MEASUREMENTS

1999	First Quarter	SECOND QUARTER	Third Quarter	Fourth Quarter
Tier 1 leverage ratio	9.75%	9.51%		
Tier 1 capital ratio	14.87%	14.42%		
Total risk-based capital ratio	16.12%	15.67%		
Cash dividends as a percentage of net income	43.93%	44.06%		
Per common share:				
Book value	$10.57	$10.27		
Tangible book value	$ 9.98	$ 9.70		
1998				
Tier 1 leverage ratio	9.19%	9.27%	9.36%	9.33%
Tier 1 capital ratio	15.30%	15.13%	14.95%	14.69%
Total risk-based capital ratio	16.56%	16.38%	16.21%	15.94%
Cash dividends as a percentage of net income	30.33%	36.55%	38.61%	40.37%
Per common share:				
Book value	$10.02	$10.23	$10.58	$10.52
Tangible book value	$ 9.36	$ 9.59	$ 9.96	$ 9.91

The accompanying Table 9 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, 1999, total market capitalization of the Company's common stock was approximately $254 million compared to $290 million at December 31, 1998 and $305 million at June 30, 1998. The Company's price to book value ratio was 2.00 at June 30, 1999 and 2.36 a year ago. The per share market price was 13 times annualized earnings at June 30, 1999 and 16 times annualized earnings at June 30, 1998.

TABLE 9
QUARTERLY COMMON STOCK AND DIVIDEND INFORMATION

Quarter Ending	High	Low	Close	Cash Dividends Declared
1998				
March 31	$20.00	$16.79	$20.00	$0.122
June 30	24.65	19.29	24.17	0.162
September 30	25.00	18.46	21.90	0.162
December 31	25.50	20.71	23.38	0.170
1999				
MARCH 31	$24.50	$20.88	$20.88	$0.170
JUNE 30	22.25	20.00	20.50	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, 1999 and 1998, the Company's basic surplus ratios (net access to cash and secured borrowings as a percentage of total assets) were approximately 2% and 6%, respectively. 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, 1999, 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.

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, 1999 balance sheet position.

TABLE 10
INTEREST RATE SENSITIVITY ANALYSIS

Change in interest rates (in basis points)	Percent change in net interest income
+200	(5.22%)
+100	(2.95%)
- -100	1.44%
- -200	2.23%

SELECTED FIVE YEAR DATA	1998	1997	1996	1995	1994
(dollars in thousands, except per share data)					
Net income	$ 19,102	$ 14,749	$ 12,179	$ 9,329	$ 6,508
Return on average assets	1.48%	1.20%	1.10%	0.90%	0.64%
Return on average equity	14.93%	12.97%	11.80%	9.18%	6.53%
Net interest margin	4.76%	4.67%	4.69%	4.43%	4.81%
Efficiency ratio	57.92%	56.09%	60.74%	65.92%	70.22%
Expense ratio	2.31%	2.20%	2.41%	2.51%	2.96%
Tier 1 leverage ratio	9.33%	8.91%	8.70%	8.80%	9.05%
Tier 1 risk-based capital ratio	14.69%	14.88%	14.06%	15.21%	16.09%
Total risk-based capital ratio	15.94%	16.13%	15.31%	16.46%	17.35%
Cash dividend per share payout	41.34%	37.91%	36.50%	42.61%	56.13%
Earnings per share:					
Basic	$ 1.52	$ 1.18	$ 0.98	$ 0.72	$ 0.50
Diluted	$ 1.49	$ 1.16	$ 0.97	$ 0.72	$ 0.50
Cash dividends paid	$ 0.616	$ 0.442	$ 0.355	$ 0.307	$ 0.277
Book value	$ 10.52	$ 9.77	$ 8.65	$ 8.47	$ 7.56
Tangible book value	$ 9.91	$ 9.09	$ 7.84	$ 7.56	$ 6.81
Stock dividends distributed	5.00%	5.00%	5.00%	5.00%	5.00%
Market price:					
High	$ 25.50	$ 19.78	$ 12.93	$ 11.66	$ 10.88
Low	$ 16.79	$ 11.99	$ 10.21	$ 9.72	$ 8.82
End of year	$ 23.38	$ 19.29	$ 12.25	$ 11.34	$ 10.18
Price/earnings ratio (assumes dilution)	15.69X	16.56x	12.59x	15.73x	20.49x
Price/book value ratio	2.22X	1.97x	1.42x	1.34x	1.35x
Total assets	$1,290,009	$1,280,585	$1,138,986	$1,106,266	$1,044,557
Total stockholders' equity	$ 130,632	$ 123,343	$ 106,264	$ 108,044	$ 98,307
Average diluted common shares outstanding (thousands)	12,832	12,700	12,514	12,936	13,140

All share and 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, 1999.

Item 2 -- Changes in Securities

Not Applicable

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, 1999.

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, 1999. The results of the election of directors and ratification of auditors at the Annual Meeting of Stockholders held April 17, 1999 was previously reported in Form 10-Q, March 31, 1999.

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, 1999.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report on FORM 10-Q to be signed on its behalf by the undersigned thereunto duly authorized, this 13th day of August, 1999.

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, 1999	Herein

EXHIBIT 27.1

Financial Data Schedule for the six months ended June 30, 1999

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM NBT BANCORP INC'S FORM 10-Q FOR THE PERIOD ENDED JUNE 30, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO FINANCIAL STATEMENTS

1,000
U.S. DOLLARS

6-MOS
DEC-31-1999
JAN-1-1999
JUN-30-1999
1
45,041
6,808
0
0
350,495
35,942
35,942
877,179
13,361
1,350,770
1,012,274
169,301
6,878
35,164
0
0
13,016
114,137
1,350,770
36,430
12,354
156
48,940
16,586
19,492
29,448
1,950
670
17,854
15,406
9,543
0
0
9,543
.77
.76
4.91
3,339
441
0
29,295
12,962
1,940
389
13,361
11,674
0
1,687