UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

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 or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

52 SOUTH BROAD STREET
NORWICH, NEW YORK 13815 (Zip Code)
(Address of principal executive office)

(607) 337-2265
(Registrant's telephone number, including area code)

Securities registered pursuant to section 12(b) of the Act: None
Securities registered pursuant to section 12(g) of the Act:
Common Stock ($0. 01 par value per share)
Stock Purchase Rights Pursuant to
Stockholders Rights Plan

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 such shorter period 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 [X]

Indicate by check mark if disclosure of delinquent filers pursuant to item 405 of Regulation S-K (Section 299.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes [X] No [X]

Based upon the closing price of the registrant's common stock as of June 28, 2002, the aggregate market value of the voting stock, common stock, par value, $0.01 per share, held by non-affiliates of the registrant is $569,310,801. There were no shares of the registrant's preferred stock, par value $0.01 per share, outstanding at that date. Rights to purchase shares of the registrant's preferred stock Series R are attached to the shares of the registrant's common stock.

The number of shares of Common Stock outstanding as of February 28, 2003, was 32,563,280.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of registrant's definitive Proxy Statement for the Registrant's Annual Meeting of Stockholders to be held on May 1, 2003 are incorporated by reference into Part III, Items 10, 11, 12 and 13 of this Form 10-K.

This page left blank intentionally

CROSS REFERENCE INDEX

Part	Item		Page
I	1	BUSINESS	5
		Description of Business	5-9
		Average Balance Sheets	17
		Net Interest Income Analysis-Taxable Equivalent Basis	17
		Net Interest Income and Volume/Rate Variance-Taxable Equivalent Basis	18
		Securities Portfolio	22
		Debt Securities-Maturity Schedule	61
		Loans	19
		Maturities and Sensitivities of Loans to Changes in Interest Rates	21
		Nonperforming Assets	25
		Allowance for Loan Losses	26-28
		Maturity Distribution of Time Deposits	23
		Return on Equity and Assets	11
		Short-Term Borrowings	66
	2	PROPERTIES	9
	3	LEGAL PROCEEDINGS	9
	4	SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	10
II	5	MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SHAREHOLDER MATTERS	10
	6	SELECTED FINANCIAL DATA	11
	7	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	12-39
	7A	QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK	40-41
	8	FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	
		Consolidated Balance Sheets at December 31, 2002 and 2001	44
		Consolidated Statements of Income for each of the years in three-year period ended December 31, 2002	45
		Consolidated Statements of Changes in Stockholders' Equity for each of the years in the three-year period ended December 31, 2002	46
		Consolidated Statements of Cash Flows for each of the years in the three-year period ended December 31, 2002	47
		Consolidated Statements of Comprehensive Income for each of the years in the three-year period ended December 31, 2002	48
		Notes to Consolidated Financial Statements	49-80
		Independent Auditors' Report	43
	9	CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	80

Item		Page
10	DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT*	80
11	EXECUTIVE COMPENSATION*	80
12	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT*	80
13	CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS*	81
14	CONTROLS AND PROCEDURES	81
15	EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON 8-K	81-84

(a) (1) Financial Statements (See Item 8 for Reference).
(2) Financial Statement Schedules normally required on Form 10-K are omitted since they are not applicable.
(3) Exhibits have been filed separately with the Commission and are available upon written request.
(b) Reports on Form 8-K.
(c) Refer to item 15(a)(3) above.
(d) Refer to item 15(a)(2) above.

SIGNATURES	85
CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER	86-88
CERTIFICATIONS OF CHIEF FINANCIAL OFFICER	86-88

- ---------------

* Information called for by Part III (Items 10 through 13) is incorporated by reference to the Registrant's Proxy Statement for the 2003 Annual Meeting of Stockholders filed with the Securities and Exchange Commission.

PART I

ITEM 1. BUSINESS

NBT Bancorp Inc. (the "Registrant" or the "Company") is a registered financial holding company incorporated in the state of Delaware in 1986, with its principal headquarters located in Norwich, New York. The Registrant is the parent holding company of NBT Bank, N.A. ("the Bank"), NBT Financial Services, Inc. ("NBT Financial"), and CNBF Capital Trust I (see Note 12 to the Notes to Consolidated Financial Statements). Through these subsidiaries, the Company operates as one segment focused on community banking operations. The Registrant's primary business consists of providing commercial banking and financial services to its customers in its market area. The principal assets of the Registrant are all of the outstanding shares of common stock of its direct subsidiaries, and its principal sources of revenue are the management fees and dividends it receives from the Bank and NBT Financial.

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

The NBT Bank division has 43 divisional offices and 69 automated teller machines (ATMs), located primarily in central and upstate New York. At December 31, 2002, NBT Bank had total loans of $1.2 billion and total deposits of $1.4 billion.

The Pennstar Bank division has 40 divisional offices and 53 ATMs, located primarily in northeastern Pennsylvania. At December 31, 2002, Pennstar Bank had total loans and leases of $526.1 million and total deposits of $774.1 million.

The Central National Bank division has 26 divisional offices and 20 ATMs located primarily in upstate New York. At December 31, 2002, Central National Bank had total loans and leases of $612.4 million and total deposits of $716.1 million.

The Bank has five operating subsidiaries, NBT Capital Corp., LA Lease, Inc., Pennstar Management Trust, Pennstar Services Company, and Colonial Financial Services, Inc. ("CFS"). NBT Capital Corp., formed in 1998, is a venture capital corporation formed to assist young businesses develop and grow in the markets we serve. LA Lease, Inc., formed in 1987, provides automobile and equipment leases to individuals and small business entities. Pennstar Management Trust, formed in 2002, is the holding company for Pennstar Realty Trust and CNB Realty Trust. Pennstar Realty Trust, formed in 2000, and CNB Realty Trust formed in 1998, are real estate investment trusts. Pennstar Services Company, formed in 2002, provides services to the Pennstar Bank division of the Bank. CFS, formed in 2001, offers a variety of financial services products.

NBT Financial, formed in 1999, is the parent company of two operating subsidiaries, Pennstar Financial Services, Inc. and M. Griffith, Inc. Pennstar Financial Services, Inc., formed in 1997, offers a variety of financial services products. M. Griffith, Inc., formed in 1951, is a registered securities broker-dealer which also offers financial and retirement planning as well as life, accident and health insurance.

ACQUISITIONS

During 2002, the Company did not engage in any acquisition activity, instead choosing to focus its efforts on integrating acquisitions completed in 2001, streamlining operational processes, and internal growth. During 2001 and 2000, the Company expanded the breadth of its market area by acquiring other banking organizations and select niche financial services companies. In addition, the Company has selectively opened key new businesses that expand our product offerings. The following provides a chronological listing of mergers and acquisitions the Company has completed since January 1, 2000:

DATE OF TRANSACTION	ENTITY/BRANCHES	FORMER BANK HOLDING COMPANY	TRANSACTION TYPE
February 17, 2000	LA Bank, N.A.	Lake Ariel Bancorp, Inc.	(1)
May 5, 2000	M. Griffith, Inc.	N/A	(2)
June 2, 2000	2 branches from Mellon Bank	N/A	(2)
July 1, 2000	Pioneer American Bank, N.A	Pioneer American Holding Co. Corp.	(1)
November 10, 2000	6 branches from Sovereign Bank	N/A	(2)
June 1, 2001	The First National Bank of Northern New York	First National Bancorp, Inc.	(2)
September 14, 2001	Deposits of 1 branch of Mohawk Community Bank	N/A	(2)
November 8, 2001	Central National Bank	CNB Financial Corp.	(1)

(1) Transaction was accounted for as a pooling-of-interests and, accordingly, all of our financial information for the periods prior to the acquisition has been restated as if the acquisitions had occurred at the beginning of the earliest reporting period presented.

(2) Transaction accounted for using the purchase accounting method.

Upon completion of their respective mergers, LA Bank, N.A. and Pioneer American Bank, N.A. became wholly owned subsidiaries of the Registrant. LA Bank, N.A. changed its name on November 10, 2000 to Pennstar Bank, N.A. and on December 9, 2000, Pioneer American Bank, N.A. merged into Pennstar Bank, N.A. On March 16, 2001, Pennstar Bank, N.A. was merged into the Bank.

COMPETITION

The banking and financial services industry in New York and Pennsylvania generally, and in the Company's market areas specifically, is highly competitive. The increasingly competitive environment is a result primarily of changes in regulation, changes in technology and product delivery systems, additional financial service providers, and the accelerating pace of consolidation among financial services providers. The Company competes for loans and leases, deposits, and customers with other commercial banks, savings and loan associations, securities and brokerage companies, mortgage companies, insurance companies, finance companies, money market funds, credit unions, and other nonbank financial service providers. Many of these competitors are much larger in total assets and capitalization, have greater access to capital markets and offer a broader range of financial services than the Company. In order to compete with other financial services providers, the Company stresses the community nature of its banking operations and principally relies upon local promotional activities, personal relationships established by officers, directors, and employees with their customers, and specialized services tailored to meet the needs of the communities served.

SUPERVISION AND REGULATION

As a bank holding company, the Company is subject to extensive regulation, supervision, and examination by the Board of Governors of the Federal Reserve System ("FRS") as its primary federal regulator. The Company also has elected to be registered with the FRS as a financial holding company. The Bank, as a nationally chartered bank, is subject to extensive regulation, supervision and examination by the Office of the Comptroller of the Currency ("OCC") as its primary federal regulator and, as to certain matters, by the FRS and the Federal Deposit Insurance Corporation ("FDIC").

M. Griffith, Inc. ("MGI") is registered as a broker-dealer and investment adviser and is subject to extensive regulation, supervision and examination by the Securities and Exchange Commission ("SEC"). MGI is also a member of the National Association of Securities Dealers, Inc. ("NASD") and is subject to its regulations. MGI is authorized as well to engage as a broker, dealer, and underwriter of municipal securities, and as such is subject to regulation by the Municipal Securities Rulemaking Board. In addition, MGI and Colonial Financial Services, Inc., are licensed insurance agencies with offices in the state of New York and are subject to registration and supervision by the New York State Insurance Department. Pennstar Financial Services, Inc. is a licensed insurance agency with offices in the Commonwealth of Pennsylvania and is subject to registration and supervision by the Pennsylvania Insurance Department.

The Company is subject to capital adequacy guidelines of the FRS. The guidelines apply on a consolidated basis and require bank holding companies to maintain a minimum ratio of Tier 1 capital to total average assets (or "leverage ratio") of 4%. For the most highly rated bank holding companies, the minimum ratio is 3%. The FRS capital adequacy guidelines also require bank holding companies to maintain a minimum ratio of Tier 1 capital to risk-weighted assets of 4% and a minimum ratio of qualifying total capital to risk-weighted assets of 8%. As of December 31, 2002, the Company's leverage ratio was 6.73%, its ratio of Tier 1 capital to risk-weighted assets was 9.93%, and its ratio of qualifying total capital to risk-weighted assets was 11.18%. The FRS may set higher minimum capital requirements for bank holding companies whose circumstances warrant it, such as companies anticipating significant growth or facing unusual risks. The FRS has not advised the Company of any special capital requirement applicable to it.

Any holding company whose capital does not meet the minimum capital adequacy guidelines is considered to be undercapitalized and is required to submit an acceptable plan to the FRS for achieving capital adequacy. Such a company's ability to pay dividends to its shareholders and expand its lines of business through the acquisition of new banking or nonbanking subsidiaries also could be restricted.

The Bank is subject to leverage and risk-based capital requirements and minimum capital guidelines of the OCC that are similar to those applicable to the Company. As of December 31, 2002, the Bank was in compliance with all minimum capital requirements. The Bank's leverage ratio was 6.62%, its ratio of Tier 1 capital to risk-weighted assets was 9.86%, and its ratio of qualifying total capital to risk-weighted assets was 11.12%.

Under FDIC regulations, no FDIC-insured bank can accept brokered deposits unless it is well capitalized, or is adequately capitalized and receives a waiver from the FDIC. In addition, these regulations prohibit any bank that is not well capitalized from paying an interest rate on brokered deposits in excess of three-quarters of one percentage point over certain prevailing market rates. As of December 31, 2002, the total amount of brokered deposits were $150.0 million.

The Bank also is subject to substantial regulatory restrictions on its ability to pay dividends to the Company. Under OCC regulations, the Bank may not pay a dividend, without prior OCC approval, if the total amount of all dividends declared during the calendar year, including the proposed dividend, exceed the sum of its retained net income to date during the calendar year and its retained net income over the preceding two years. As of December 31, 2002, approximately $9.8 million was available for the payment of dividends without prior OCC approval. The Bank's ability to pay dividends also is subject to the Bank being in compliance with regulatory capital requirements. The Bank is currently in compliance with these requirements.

The deposits of the Bank are insured up to regulatory limits by the FDIC and, accordingly, are subject to deposit insurance assessments to maintain the insurance funds administered by the FDIC. The deposits of the Bank historically have been subject to deposit insurance assessments to maintain the Bank Insurance Fund ("BIF"). Due to certain branch deposit acquisitions by the Bank and its predecessors, some of the deposits of the Bank are subject to deposit insurance assessments to maintain the Savings Association Insurance Fund ("SAIF").

The FDIC has adopted regulations establishing a permanent risk-related deposit insurance assessment system. Under this system, the FDIC places each insured bank in one of nine risk categories based on the bank's capitalization and supervisory evaluations provided to the FDIC by the institution's primary federal regulator. Each insured bank's insurance assessment rate is then determined by the risk category in which it is classified by the FDIC.

In the light of the then prevailing favorable financial situation of the federal deposit insurance funds and the low number of depository institution failures, since January 1, 1997, the annual insurance premiums on bank deposits insured by the BIF or the SAIF have varied between $0.00 per $100 of deposits for banks classified in the highest capital and supervisory evaluation categories to $0.27 per $100 of deposits for banks classified in the lowest capital and supervisory evaluation categories. Recent increases in the amount of deposits subject to BIF FDIC insurance protection and in the number of bank failures, and the effect of low interest rate returns on the assets held in the BIF, have increased the likelihood that the annual insurance premiums on bank deposits insured by the BIF will increase in the second half of 2003 or thereafter. BIF and SAIF assessment rates are subject to semi-annual adjustment by the FDIC within a range of up to five basis points without public comment. The FDIC also possesses authority to impose special assessments from time to time.

The Federal Deposit Insurance Act provides for additional assessments to be imposed on insured depository institutions to pay for the cost of Financing Corporation ("FICO") funding. The FICO assessments are adjusted quarterly to reflect changes in the assessment bases of the FDIC insurance funds and do not vary depending upon a

depository institution's capitalization or supervisory evaluation. During 2002, FDIC-insured banks paid an average rate of approximately $0.017 per $100 for purposes of funding FICO bond obligations. The assessment rate has been retained at this rate for the first and second quarters of 2003.

Transactions between the Bank and any of its affiliates, including the Company, are governed by sections 23A and 23B of the Federal Reserve Act. An "affiliate" of a bank is any company or entity that controls, is controlled by, or is under common control with the bank. A subsidiary of a bank that is not also a depository institution is not treated as an affiliate of the bank for purposes of sections 23A and 23B, unless the subsidiary is also controlled through a non-bank chain of ownership by affiliates or controlling shareholders of the bank or the subsidiary engages in activities that are not permissible for a bank to engage in directly (except insurance agency subsidiaries). Generally, sections 23A and 23B are intended to protect insured depository institutions from suffering losses arising from transactions with non-insured affiliates, by limiting the extent to which a bank or its subsidiaries may engage in covered transactions with any one affiliate and with all affiliates of the bank in the aggregate, and requiring that such transactions be on terms that are consistent with safe and sound banking practices.

On October 31, 2002, the FRS adopted a new regulation, Regulation W, effective April 1, 2003, that comprehensively implements sections 23A and 23B. The regulation unifies and updates staff interpretations issued over the years, incorporates several new interpretative proposals (such as to clarify when transactions with an unrelated third party will be attributed to an affiliate), and addresses new issues arising as a result of the expanded scope of nonbanking activities engaged in by banks and bank holding companies in recent years and authorized for financial holding companies under the Gramm-Leach-Bliley Act ("GLB Act").

Under the GLB Act, a qualifying bank holding company, known as a financial holding company, may engage in certain financial activities that a bank holding company may not otherwise engage in under the Bank Holding Company Act ("BHC Act"). In addition to engaging in banking and activities closely related to banking as determined by the FRS by regulation or order prior to November 11, 1999, a financial holding company may engage in activities that are financial in nature or incidental to financial activities, or activities that are complementary to a financial activity and do not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally.

Under the GLB Act, all financial institutions, including the Company and the Bank, are required to adopt privacy policies, restrict the sharing of nonpublic customer data with nonaffiliated parties at the customer's request, and establish procedures and practices to protect customer data from unauthorized access.

Under Title III of the USA PATRIOT Act, also known as the International Money Laundering Abatement and Anti-Terrorism Financing Act of 2001, all financial institutions, including the Company and the Bank, are required in general to identify their customers, adopt formal and comprehensive anti-money laundering programs, scrutinize or prohibit altogether certain transactions of special concern, and be prepared to respond to inquiries from U.S. law enforcement agencies concerning their customers and their transactions. Additional information- sharing among financial institution, regulators, and law enforcement authorities is encouraged by the presence of an exemption from the privacy provisions of the GLB Act for financial institutions that comply with this provision and the authorization of the Secretary of the Treasury to adopt rules to further encourage cooperation and information-sharing. The effectiveness of a financial institution in combating money laundering activities is a factor to be considered in any application submitted by the financial institution under the Bank Merger Act, which applies to the Bank, or the BHC Act, which applies to the Company.

The Sarbanes-Oxley Act, signed into law July 30, 2002, addresses, among other issues, corporate governance, auditor independence and accounting standards, executive compensation, insider loans, whistleblower protection, and enhanced and timely disclosure of corporate information. The SEC has adopted or proposed several implementing rules, and the NASD has proposed corporate governance rules that have been presented to the SEC for review and approval. The proposed changes are intended to allow stockholders to monitor more effectively the performance of companies and management.

Effective August 29, 2002, as directed by section 302(a) of the Sarbanes-Oxley Act, the Company's chief executive officer and chief financial officer are each required to certify that the Company's quarterly and annual reports do not contain any untrue statement of a material fact. This requirement has several parts, including certification that these officers are responsible for establishing, maintaining and regularly evaluating the effectiveness of the Company's internal controls; that they have made certain disclosures to the Company's auditors and the risk management committee of the board of directors about the Company's internal controls; and that they have in-

cluded information in the Company's quarterly and annual reports about their evaluation and whether there have been significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the evaluation.

EMPLOYEES

At December 31, 2002, the Company had 1,221 full-time equivalent employees. The Company's employees are not presently represented by any collective bargaining group. The Company considers its employee relations to be good.

AVAILABLE INFORMATION

The Company's website is http://www.nbtbank.com. The Company makes available free of charge through its internet site, via a link to the Securities and Exchange Commission's website at http://www.sec.gov, its annual reports on Form 10-K; quarterly reports on Form 10-Q; current reports on Form 8K; and any amendments to those reports filed or furnished pursuant to the Securities Exchange Act of 1934 as soon as reasonably practicable after such material is electronically filed with, or furnished to the SEC.

ITEM 2. PROPERTIES

The Company's headquarters are located at 52 South Broad Street, Norwich, New York 13815. The Company operated the following number of community banking branches and automated teller machines (ATMs) as of December 31, 2002:

COUNTY	BRANCHES	ATMS	COUNTY	BRANCHES	ATMS	COUNTY	BRANCHES	ATMS
NBT BANK DIVISION			CENTRAL NATIONAL BANK DIVISION			PENNSTAR BANK DIVISION		
NEW YORK			NEW YORK			NEW YORK		
Broome County	4	7	Albany County	1	-	Orange County	1	1
Chenango County	11	14	Fulton County	4	5			
						PENNSTAR BANK DIVISION		
Clinton County	3	2	Herkimer County	2	1	PENNSYLVANIA		
Delaware County	5	9	Montgomery County	6	5	Lackawanna County	19	23
Essex County	3	6	Otsego County	5	4	Luzerne County	4	10
Franklin County	1	1	Saratoga County	3	3	Monroe County	4	5
Greene County	-	2	Schenectady County	1	1	Pike County	3	3
Oneida County	6	10	Schoharie County	4	1	Susquehanna County	6	7
Otsego County	4	11				Wayne County	3	4
St. Lawrence County	5	4						
Sullivan County	-	1						
Tioga County	1	1						
Ulster County	-	1						

The Company leases thirty-eight of the above listed branches from third parties under terms and conditions considered by management to be equitable to the Company. The Company owns all other banking premises. All automated teller machines are owned.

ITEM 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the Company or any of its subsidiaries is a party or of which their property is the subject.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(a) Not applicable.
(b) Not applicable.
(c) Not applicable.
(d) Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The common stock of NBT Bancorp Inc. ("Common Stock") is quoted on the Nasdaq Stock Market National Market Tier under the symbol "NBTB." The following table sets forth the market prices and dividends declared for the Common Stock for the periods indicated.

	HIGH	LOW	DIVIDEND
2001			
1st quarter	$ 17.50	$13.25	$ 0.170
2nd quarter	25.42*	14.30	0.170
3rd quarter	17.30	13.50	0.170
4th quarter	15.99	12.55	0.170
2002			
1ST QUARTER	$ 15.15	$13.15	$ 0.170
2ND QUARTER	19.32	14.00	0.170
3RD QUARTER	18.50	16.36	0.170
4TH QUARTER	18.60	14.76	0.170

* This price was reported on June 29, 2001, a day on which the Nasdaq Stock Market experienced computerized trading disruptions which, among other things, forced it to extend its regular trading session and cancel its late trading session. Subsequently the Nasdaq Stock Market recalculated and republished several closing stock prices (not including NBT Bancorp Inc., for which it had reported a closing price of $19.30). Excluding trading on June 29, 2001, the high sales price for the quarter ended June 30, 2001 was $16.75.

The closing price of the Common Stock on February 28, 2003 was $17.52. The approximate number of holders of record of the Company's Common Stock on February 28, 2003 was 7,549.

ITEM 6. SELECTED FINANCIAL DATA

The following summary financial and other information about the Company is derived from the Company's audited consolidated financial statements for each of the five fiscal years ended December 31, 2002, 2001, 2000, 1999 and 1998:

	YEAR ENDED DECEMBER 31,				
(In thousands, except per share data)	2002	2001	2000	1999	1998
Interest, fee and dividend income	$ 227,222	$ 255,434	$ 260,381	$ 220,849	$ 210,970
Interest expense	80,402	117,502	133,003	102,876	100,870
Net interest income	146,820	137,932	127,378	117,973	110,100
Provision for loan and lease losses	9,073	31,929	10,143	6,896	6,922
Noninterest income excluding securities (losses) gains	32,852	31,826	24,854	21,327	20,078
Securities (losses) gains, net	(413)	(7,692)	(2,273)	1,000	2,183
Merger, acquisition and reorganization costs (recovery)	(130)	15,322	23,625	835	-
Other noninterest expense	103,503	110,536	95,509	83,944	81,108
Income before income taxes	66,813	4,279	20,682	48,625	44,331
Net income	44,999	3,737	14,154	32,592	34,576
PER COMMON SHARE*					
Basic earnings	$ 1.36	$ 0.11	$ 0.44	$ 1.01	$ 1.07
Diluted earnings	1.35	0.11	0.44	1.00	1.05
Diluted earnings excluding goodwill and unidentified intangible asset amortization	1.35	0.19	0.48	1.02	1.06
Cash dividends paid **	0.68	0.68	0.68	0.66	0.59
Book value at year-end	8.96	8.05	8.29	7.62	8.07
Tangible book value at year-end	7.47	6.51	6.88	6.74	7.75
Average diluted common shares outstanding	33,235	33,085	32,405	32,541	32,899
AT DECEMBER 31,					
Trading securities, at fair value	$ 203	$ 126	$ 20,540	$ -	$ -
Securities available for sale, at fair value	1,007,583	909,341	936,757	994,492	709,905
Securities held to maturity, at amortized cost	82,514	101,604	110,415	113,318	294,119
Loans and leases	2,355,932	2,339,636	2,247,655	1,924,460	1,658,194
Allowance for loan and lease losses	40,167	44,746	32,494	28,240	26,615
Assets	3,723,726	3,638,202	3,605,506	3,294,845	2,880,943
Deposits	2,922,040	2,915,612	2,843,868	2,573,335	2,292,449
Borrowings	451,076	394,344	425,233	429,924	303,021
Stockholders' equity	292,382	266,355	269,641	246,095	259,604
KEY RATIOS					
Return on average assets	1.23%	0.10%	0.41%	1.07%	1.23%
Return on average equity	16.13	1.32	5.57	12.66	13.59
Average equity to average assets	7.64	7.82	7.35	8.42	9.07
Net interest margin	4.43	4.19	4.02	4.23	4.30
Efficiency ***	56.44	62.89	60.92	59.18	60.94
Cash dividend per share payout	50.37	618.18	154.55	66.00	56.19
Tier 1 leverage	6.73	6.34	6.88	8.07	8.68
Tier 1 risk-based capital	9.93	9.43	9.85	12.49	13.73
Total risk-based capital	11.18	10.69	11.08	13.68	14.93

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

** Cash dividends per share represent the historical cash dividends per share of NBT Bancorp Inc., adjusted to give retroactive effect to stock dividends and splits.

*** The efficiency ratio is computed as total non-interest expense (excluding merger, acquisition and reorganization costs (recovery) as well as gains and losses on the sale of other real estate owned) divided by fully taxable equivalent net interest income plus non-interest income (excluding net security transactions).

SELECTED QUARTERLY FINANCIAL DATA

(Dollars in thousands, except per share data)	2002 FIRST	2002 SECOND	2002 THIRD	2002 FOURTH	2001 FIRST	2001 SECOND	2001 THIRD	2001 FOURTH
Interest, fee and dividend income	$57,322	$57,490	$57,011	$55,399	$65,900	$64,201	$64,232	$ 61,101
Interest expense	20,977	20,408	20,304	18,713	33,521	30,696	28,923	24,362
Net interest income	36,345	37,082	36,707	36,686	32,379	33,505	35,309	36,739
Provision for loan and lease losses	2,011	2,092	2,424	2,546	1,211	6,872	9,188	14,658
Noninterest income excluding net securities (losses) gains	8,195	7,885	8,252	8,520	8,654	7,476	8,078	7,618
Net securities (losses) gains	(502)	69	(6)	26	1,023	227	(2,327)	(6,615)
Noninterest expense	25,494	26,214	25,525	26,140	26,650	25,154	29,342	44,712
Net income (loss)	$11,077	$11,266	$11,412	$11,244	$ 9,654	$ 6,570	$ 1,469	$(13,956)
Basic earnings (loss) per share	$ 0.33	$ 0.34	$ 0.35	$ 0.34	$ 0.30	$ 0.20	$ 0.04	$ (0.42)
Diluted earnings (loss) per share	$ 0.33	$ 0.34	$ 0.34	$ 0.34	$ 0.30	$ 0.20	$ 0.04	$ (0.42)
Net interest margin	4.54%	4.48%	4.35%	4.35%	4.06%	4.10%	4.19%	4.39%
Return (loss) on average assets	1.25%	1.24%	1.23%	1.21%	1.10%	0.73%	0.16%	(1.51%)
Return (loss) on average equity	16.62%	16.50%	15.95%	15.53%	14.42%	9.42%	2.02%	(18.87%)
Average diluted common shares outstanding	33,295	33,433	33,295	32,951	32,702	33,112	33,500	32,999

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

The financial review which follows focuses on the factors affecting the consolidated financial condition and results of operations of NBT Bancorp Inc. (the "Registrant" or the "Company") and its wholly owned subsidiaries, NBT Bank, N.A. ("the Bank"), NBT Financial Services, Inc. ("NBT Financial), and CNBF Capital Trust I during 2002 and, in summary form, the preceding two years. Collectively, the Registrant and its subsidiaries are referred to herein as "the Company." Net interest margin is presented in this discussion on a fully taxable equivalent (FTE) basis. Average balances discussed are daily averages unless otherwise described. The audited consolidated financial statements and related notes as of December 31, 2002 and 2001 and for each of the years in the three year period ended December 31, 2002 should be read in conjunction with this review. Amounts in prior period consolidated financial statements are reclassified whenever necessary to conform to the 2002 presentation.

The preparation of the consolidated financial statements requires management to make estimates and assumptions, in the application of certain accounting policies, about the effect of matters that are inherently uncertain. Those estimates and assumptions affect the reported amounts of certain assets, liabilities, revenues and expenses. Different amounts could be reported under different conditions, or if different assumptions were used in the application of these accounting policies.

The business of the Company is providing commercial banking and financial services through its subsidiaries. The Company's primary market area is central and upstate New York and northeastern Pennsylvania. The Company has been, and intends to continue to be, a community-oriented financial institution offering a variety of financial services. The Company's principle business is attracting deposits from customers within its market area and investing those funds primarily in loans and leases, and, to a lesser extent, in marketable securities. The financial condition and operating results of the Company are dependent on its net interest income which is the difference between the interest and dividend income earned on its earning assets and the interest expense paid on its interest bearing liabilities, primarily consisting of

deposits and borrowings. Net income is also affected by provisions for loan and lease losses and noninterest income, such as service charges on deposit accounts, broker/dealer fees, trust fees, and gains/losses on securities sales; it is also impacted by noninterest expense, such as salaries and employee benefits, data processing, communications, occupancy, and equipment.

The Company's results of operations are significantly affected by general economic and competitive conditions (particularly changes in market interest rates), government policies, changes in accounting standards, and actions of regulatory agencies. Future changes in applicable laws, regulations, or government policies may have a material impact on the Company. Lending activities are substantially influenced by the demand for and supply of housing, competition among lenders, the level of interest rates, the state of the local and regional economy, and the availability of funds. The ability to gather deposits and the cost of funds are influenced by prevailing market interest rates, fees and terms on deposit products, as well as the availability of alternative investments including mutual funds and stocks.

CRITICAL ACCOUNTING POLICIES

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

The Company's policy on the allowance for loan and lease losses is disclosed in note 1 to the consolidated financial statements. A more detailed description of the allowance for loan and lease losses is included in the "Risk Management" section of this Form 10-K. All accounting policies are important, and as such, the Company encourages the reader to review each of the policies included in note 1 to obtain a better understanding on how the Company's financial performance is reported.

FORWARD LOOKING STATEMENTS

Certain statements in this filing and future filings by the Company with the Securities and Exchange Commission, in the Company's press releases or other public or shareholder communications, or in oral statements made with the approval of an authorized executive officer, contain forward-looking statements, as defined in the Private Securities Litigation Reform Act. These statements may be identified by the use of phrases such as "anticipate," "believe," "expect," "forecasts," "projects," "will," "can," "would," "should," "could," "may," or other similar terms. There are a number of factors, many of which are beyond the Company's control that could cause actual results to differ materially from those contemplated by the forward looking statements. Factors that may cause actual results to differ materially from those contemplated by such forward-looking statements include, among others, the following possibilities: (1) competitive pressures among depository and other financial institutions may increase significantly; (2) revenues may be lower than expected; (3) changes in the interest rate environment may reduce interest margins; (4) general economic conditions, either nationally or regionally, may be less favorable than expected, resulting in, among other things, a deterioration in credit quality and/or a reduced demand for credit; (5) legislative or regulatory changes, including changes in accounting standards or tax laws may adversely affect the businesses in which the Company is engaged; (6) costs or difficulties related to the integration of the businesses of the Company and its merger partners may be greater than expected (7) deposit attrition, customer loss, or revenue loss following recent mergers and acquisitions may be greater than expected; (8) competitors may have greater financial resources and develop products that enable such competitors to compete more successfully than the Company; and (9) adverse changes may occur in the securities markets or with respect to inflation.

The Company cautions readers not to place undue reliance on any forward-looking statements, which speak only as of the date made, and to advise readers that various factors, including but not limited to those described above, could affect the Company's financial performance

and could cause the Company's actual results or circumstances for future periods to differ materially from those anticipated or projected.

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

MERGER AND ACQUISITION ACTIVITY

The Company did not enter into any merger or acquisitions during 2002.

On June 1, 2001, the Company completed the acquisition of First National Bancorp, Inc. (FNB) whereby FNB was merged with and into the Company. At the same time FNB's subsidiary, First National Bank of Northern New York (FNB Bank) was merged into the Bank. The acquisition was accounted for using the purchase method. As such, both the assets and liabilities assumed have been recorded on the consolidated balance sheet of the Company at estimated fair value as of the date of acquisition and the results of operations are included in the Company's consolidated statement of income from the acquisition date forward. To complete the transaction, the Company issued approximately 1,075,000 shares of its common stock valued at $16.0 million. Goodwill, representing the cost over net assets acquired, was approximately $7.0 million and was being amortized prior to the adoption of Statement of Financial Accounting Standards (SFAS) No. 142 on January 1, 2002 on a straight-line basis based on a 20 year amortization period.

On September 14, 2001, the Company acquired $14.4 million in deposits from Mohawk Community Bank. Unidentified intangible assets, accounted for in accordance with SFAS No. 72 and representing the excess of cost over net assets acquired, was $0.7 million and is being amortized over 15 years on a straight-line basis. Additionally, the Company identified $0.1 million of core deposit intangible assets which is being amortized over 6 years on a straight-line basis.

On November 8, 2001, the Company, pursuant to a merger agreement dated June 18, 2001, completed its merger with CNB Financial Corp. (CNB) and its wholly owned subsidiary, Central National Bank (CNB Bank), whereby CNB was merged with and into the Company, and CNB Bank was merged with and into the Bank. CNB Bank then became a division of the Bank. In connection with the merger, CNB stockholders received 1.2 shares of the Company's common stock for each share of CNB stock and the Company issued approximately 8.9 million shares of common stock. The transaction is structured to be tax-free to shareholders of CNB and has been accounted for as a pooling-of-interests. Accordingly, the Company's consolidated financial statements were restated to present combined consolidated financial condition and results of operations of the Bank and CNB as if the merger had been in effect for all years presented. At September 30, 2001, CNB had consolidated assets of $983.1 million, deposits of $853.7 million and equity of $62.8 million. CNB Bank operated 29 full service banking offices in nine upstate New York counties.

On February 17, 2000, the Company completed its merger with Lake Ariel Bancorp, Inc. (Lake Ariel) and its subsidiaries. In connection with the merger each issued and outstanding share of Lake Ariel exchanged for 0.9961 shares of the Company's common stock. The transaction resulted in the issuance of approximately 5.0 million shares of Company's common stock. Lake Ariel's commercial banking subsidiary was LA Bank, N.A.

On July 1, 2000, the Company completed its merger with Pioneer American Holding Company Corp. (Pioneer Holding Company) and its subsidiary. In connection with the merger, each issued and outstanding share of Pioneer Holding Company exchanged for 1.805 shares of the Company's common stock. The transaction resulted in the issuance of approximately 5.2 million shares of the Company's common stock. Pioneer Holding Company's commercial banking subsidiary was Pioneer American Bank, N.A.

The Lake Ariel and Pioneer Holding Company mergers qualified as tax-free exchanges and were accounted for as poolings-of-interests. Accordingly, the Company's consolidated financial statements were restated to present the combined consolidated financial condition and results of operations of all companies as if the mergers had been in effect for all years presented.

LA Bank, N.A. and Pioneer Bank N.A. were commercial banks headquartered in northeastern Pennsylvania with approximately $570 million and $420 million, respectively, in assets at December 31, 1999, and twenty-two and eighteen branch offices, respectively, in five counties. Immediately following the Lake Ariel and Pioneer Holding Company mergers described above, the Company was the surviving holding company for NBT Bank, LA Bank, N.A., Pioneer American Bank, N.A. and NBT Financial Services, Inc. On November 10, 2000, LA Bank, N.A. changed its name to Pennstar. On December 9, 2000, Pioneer American Bank, N.A. was merged into Pennstar. On March 16, 2001, Pennstar was merged with and into the Bank and became a division of the Bank.

On May 5, 2000, the Company consummated the acquisition of M. Griffith, Inc. a Utica, New York based securities firm offering investment, financial advisory and asset-management services, primarily in the Mohawk Valley region. At that time, M. Griffith, Inc., a full-service broker/dealer and a Registered Investment Advisor, became a wholly-owned subsidiary of NBT Financial. The acquisition was accounted for using the purchase method. As such, both the assets acquired and liabilities assumed have been recorded on the consolidated balance sheet of the Company at estimated fair value as of the date of acquisition. M. Griffith, Inc.'s, results of operations are included in the Company's consolidated statement of income from the date of acquisition forward. To complete the transaction, the Company issued approximately 421,000 shares of its common stock, valued at $4.8 million. Goodwill, representing the cost over net assets acquired, was $3.4 million and was being amortized prior to the adoption of SFAS No. 142 on January 1, 2002 over fifteen years on a straight-line basis.

On June 2, 2000, Pennstar, purchased two branches from Mellon Bank. Deposits from the Mellon Bank branches were approximately $36.7 million, including accrued interest payable. In addition, the Company received approximately $32.2 million in cash as consideration for net liabilities assumed. The acquisition was accounted for using the purchase method. As such, both the assets acquired and liabilities assumed have been recorded on the consolidated balance sheet of the Company at estimated fair value as of the date of the acquisition. Unidentified intangible assets, accounted for in accordance with SFAS No. 72, and representing the excess of cost over net assets acquired, was $4.3 million and was being amortized prior to the adoption of SFAS No. 147 on January 1, 2002 over 15 years on the straight-line basis. The branches' results of operations are included in the Company's consolidated statement of income from the date of acquisition forward.

On November 10, 2000, Pennstar purchased six branches from Sovereign Bank. Deposits from the Soverign Bank branches were approximately $96.8 million, including accrued interest payable. Pennstar also purchased commercial loans associated with the branches with a net book balance of $42.4 million. In addition, the Company received $40.9 million in cash consideration for net liabilities assumed. The acquisition was accounted for using the purchase method. As such, both the assets acquired and liabilities assumed have been recorded on the consolidated balance sheet of the Company at estimated fair value as of the date of the acquisition. Unidentified intangible assets, accounted for in accordance with SFAS No. 72, and representing the excess of cost over net assets acquired, was $12.7 million and was being amortized prior to the adoption of SFAS No. 147 on January 1, 2002 over 15 years on a straight-line basis. The branches' results of operations are included in the Company's consolidated statement of income from the date of acquisition forward. During 2001 and 2000, the following merger, acquisition, and reorganization costs were recognized:

(Dollars in thousands)	FOR THE YEARS ENDED DECEMBER 31, 2001	2000
Professional fees	$ 5,956	$ 8,525
Data processing	2,092	2,378
Severance	3,270	7,278
Branch closing	2,412	1,736
Advertising and supplies	313	1,337
Hardware and software write-off	402	1,428
Miscellaneous	877	943
Total	$ 15,322	$ 23,625

As of December 31, 2002, the Company had a remaining accrued liability of $4.0 million for merger, acquisition, and reorganization costs recognized in 2001 and 2000. The remaining accrued liability is comprised mainly of severance costs, which will be paid out over a period of time consistent with respective severance agreements.

OVERVIEW

The Company had net income of $45.0 million or $1.35 per diluted share for 2002, compared to net income of $3.7 million or $0.11 per diluted share for 2001. The improvement in 2002 results over 2001 was due to several factors. There was a $22.9 million decrease in the provision for loan and lease losses when compared to the same period in 2001. The increase in the 2001 provision for loan and lease losses was due mainly to an increase in nonperforming loans and charge-offs during 2001, resulting mainly from the process of integrating loans from recently acquired banks and weakening business conditions. The net interest margin improved during 2002, resulting in a $8.9 million increase in net interest income over 2001. Noninterest income was up $8.3 million for 2002 when compared to 2001. Driving this increase was a decrease in net securities losses of $7.3 million in 2002 when compared to 2001, due to the sale and writedown of several high-risk securities previously held by CNB

during 2001. Additionally, growth in noninterest income from service charges on deposit accounts and broker/ dealer and insurance revenue totaled $2.4 million in 2002 compared to 2001. Offsetting these increases was a $1.4 million gain on a sale of a branch building in 2001 compared to no such gain in 2002. Noninterest expenses were down $22.5 million in 2002 when compared to 2001. This decrease was driven primarily by three factors. First, there was a slight recovery of merger costs of $0.1 million in 2002 compared to $15.3 million in merger charges in 2001 that resulted primarily from the acquisition of CNB. Second, the stabilization of residual values of leased automobiles resulted in no provision for the other-than-temporary impairment in residual values of leased automobiles in 2002 compared to a $3.5 million provision in 2001. Lastly, because of accounting standards that became effective for the Company in fiscal year 2002, amortization of goodwill and intangible assets decreased $3.5 million in 2002. If these accounting standards had been applied in 2001, the decrease in the amortization of goodwill and intangible assets would increase diluted earnings per share by $0.07 in 2001.

The Company had net income of $3.7 million or $0.11 per diluted share for 2001, compared to net income of $14.2 million or $0.44 per diluted share for 2000. During 2001, costs related to merger, acquisition and reorganization activities totaled $15.3 million and net securities losses totaled $7.7 million compared to $23.6 million related to merger, acquisition and reorganization activities and $2.3 million in net securities loss in 2000. Net interest income for 2001 increased 8.3% to $137.9 million compared to $127.4 million in 2000. Net interest income for 2001 was up $10.6 million over 2000 as a result of an improved net interest margin combined with growth in the average loan portfolio. Noninterest income for 2001 was up $1.6 million over 2000. Net securities losses for 2001 and 2000 totaled $7.7 million and $2.3 million, respectively. Excluding these net securities losses, other components of noninterest income were up $7.0 million in 2001 when compared to 2000. A gain on the sale of a branch building, service charges on deposit accounts, ATM fees, banking fees, broker/dealer fees and insurance commissions drove the increase in noninterest income in 2001 over 2000. Noninterest expense was up $6.7 million in 2001 when compared to 2000. The increase in non-interest expense resulted from a $3.5 million charge taken for the other-than-temporary impairment of the residual value of leased automobiles compared to a charge of $0.7 million in 2000, a $2.1 million charge taken for certain deposit overdrafts, and a $10.0 million increase in expense primarily related to the required service and support of our growth. Offsetting these increases was a decrease in merger, acquisition, and reorganization costs of $8.3 million.

ASSET/LIABILITY MANAGEMENT

The Company attempts to maximize net interest income, and net income, while actively managing its liquidity and interest rate sensitivity through the mix of various core deposit products and other sources of funds, which in turn fund an appropriate mix of earning assets. The changes in the Company's asset mix and sources of funds, and the resultant impact on net interest income, on a fully tax equivalent basis, are discussed below.

The following table includes the condensed consolidated average balance sheet, an analysis of interest income/expense and average yield/rate for each major category of earning assets and interest bearing liabilities on a taxable equivalent basis. Interest income for tax-exempt securities and loans and leases has been adjusted to a taxable-equivalent basis using the statutory Federal income tax rate of 35%.

Table 1. Average Balances and Net Interest Income

(Dollars in thousands)	2002 AVERAGE BALANCE	2002 INTEREST	2002 YIELD/ RATE	2001 Average Balance	2001 Interest	2001 Yield/ Rate	2000 Average Balance	2000 Interest	2000 Yield/ Rate
ASSETS									
Short-term interest bearing accounts	$ 12,389	403	3.25%	$ 11,324	569	5.02%	$ 15,031	937	6.23%
Securities available for sale(1)	947,042	56,586	5.98	933,122	61,857	6.63	1,017,617	70,918	6.97
Securities held to maturity(1)	92,981	5,620	6.04	99,835	6,644	6.65	117,513	8,086	6.88
Securities trading	208	8	3.85	5,253	649	12.35	216	8	3.70
Investment in FRB and FHLB Banks	21,766	962	4.42	23,926	1,555	6.50	31,274	2,254	7.21
Loans and leases(2)	2,337,767	167,917	7.18	2,312,740	188,053	8.13	2,092,191	182,254	8.71
Total earning assets	3,412,153	231,496	6.78	3,386,200	259,327	7.66	3,273,842	264,457	8.08
Other non-interest earning assets	236,919			240,725			182,749		
Total assets	$3,649,072			$3,626,925			$3,456,591		
LIABILITIES AND STOCKHOLDERS' EQUITY									
Money market deposit accounts	$ 279,407	4,461	1.60	$ 254,735	7,052	2.77	$ 209,562	8,460	4.04
NOW deposit accounts	382,562	3,488	0.91	348,964	5,032	1.44	307,969	5,951	1.93
Savings deposits	479,312	6,887	1.44	427,102	9,385	2.20	403,106	10,511	2.61
Time deposits	1,331,281	48,496	3.64	1,476,473	77,053	5.22	1,440,173	82,371	5.72
Total interest-bearing deposits	2,472,562	63,332	2.56	2,507,274	98,522	3.93	2,360,810	107,293	4.54
Short-term borrowings	87,039	1,334	1.53	123,162	5,365	4.36	194,888	11,940	6.13
Long-term debt	334,479	15,736	4.70	259,583	13,615	5.24	245,383	13,770	5.61
Total interest-bearing liabilities	2,894,080	80,402	2.78	2,890,019	117,502	4.07	2,801,081	133,003	4.75
Demand deposits	419,744			382,489			348,443		
Other non-interest-bearing liabilities	56,293			70,666			53,018		
Stockholders' equity	278,955			283,751			254,049		
Total liabilities and stockholders' equity	$3,649,072			$3,626,925			$3,456,591		
Interest rate spread			4.00%			3.59%			3.33%
Net interest income		151,094			141,825			131,454	
Net interest margin			4.43%			4.19%			4.02%
Taxable equivalent adjustment		4,274			3,893			4,076	

(1) Securities are shown at average amortized cost. For purposes of these computations, nonaccrual securities are included in the average securities balances, but the interest collected thereon is is not included in interest income.

(2) For purposes of these computations, nonaccrual loans are included in the average loan balances outstanding. The interest collected thereon is included in interest income based upon the characteristics of the related loans.

NET INTEREST INCOME

On a tax equivalent basis, the Company's net interest income for 2002 was $151.1 million, up from $141.8 million for 2001. The Company's net interest margin improved to 4.43% for 2002 from 4.19% for 2001. The improvement in net interest income and net interest margin in 2002 were due primarily to three factors. First, the Company benefited from the decreasing rate environment in 2002, as interest-bearing liabilities repriced downward at a faster rate than earning assets. Secondly, there was a slight increase in average earning assets of $26.0 million or 1%, in 2002 when compared to 2001, driven primarily by loan and lease growth. Lastly, an improved deposit mix lowered interest expense, as lower cost NOWs, money market, and savings accounts comprised 39% of average total interest-bearing liabilities in 2002 compared to 36% in 2001.

The following table presents changes in interest income, on a FTE basis, and interest expense attributable to changes in volume (change in average balance multiplied by prior year rate), changes in rate (change in rate multiplied by prior year volume), and the net change in net interest income. The net change attributable to the combined impact of volume and rate has been allocated to each in proportion to the absolute dollar amounts of change.

TABLE 2. ANALYSIS OF CHANGES IN TAXABLE EQUIVALENT NET INTEREST INCOME

	INCREASE (DECREASE) 2002 OVER 2001			Increase (Decrease) 2001 over 2000		
(In thousands)	VOLUME	RATE	TOTAL	Volume	Rate	Total
Short-term interest-bearing accounts	$ 50	$ (216)	$ (166)	$ (206)	$ (162)	$ (368)
Securities available for sale	911	(6,182)	(5,271)	(5,708)	(3,353)	(9,061)
Securities held to maturity	(438)	(586)	(1,024)	(1,184)	(258)	(1,442)
Securities trading	(373)	(268)	(641)	583	58	641
Investment in FRB and FHLB Banks	(130)	(463)	(593)	(493)	(206)	(699)
Loans and leases	2,015	(22,151)	(20,136)	18,428	(12,629)	5,799
Total interest income	1,973	(29,804)	(27,831)	8,889	(14,019)	(5,130)
Money market deposit accounts	629	(3,220)	(2,591)	1,590	(2,998)	(1,408)
NOW deposit accounts	448	(1,992)	(1,544)	723	(1,642)	(919)
Savings deposits	1,044	(3,542)	(2,498)	599	(1,725)	(1,126)
Time deposits	(7,015)	(21,542)	(28,557)	2,036	(7,354)	(5,318)
Short-term borrowings	(1,256)	(2,775)	(4,031)	(3,683)	(2,892)	(6,575)
Long-term debt	3,630	(1,509)	2,121	772	(927)	(155)
Total interest expense	165	(37,265)	(37,100)	4,113	(19,614)	(15,501)
Change in FTE net interest income	$ 1,808	$ 7,461	$ 9,269	$ 4,776	$ 5,595	$ 10,371

LOANS AND LEASES AND CORRESPONDING INTEREST AND FEES ON LOANS

The average balance of loans and leases increased 1%, totaling $2.3 billion in 2002 and 2001. The yield on average loans and leases decreased from 8.13% in 2001 to 7.18% in 2002, as a falling interest rate environment prevailed for much of 2002. Interest income from loans and leases on a FTE basis decreased 11%, from $188.1 million in 2001 to $167.9 million in 2002. The decrease in interest income from loans and leases was due primarily to the decrease in yield on loans and leases in 2002 of 95 bp when compared to 2001.

Total loans and leases increased slightly at December 31, 2002, totaling $2.4 billion from $2.3 billion at December 31, 2001. The combination of the Company's focus on improving the credit quality of the loan and lease portfolio and sluggish business conditions coupled with strong competition in the Company's market area limited loan growth opportunities for commercial and consumer loans in 2002. However, residential real estate mortgages were $579.6 million at December 31, 2002, up $54.2 million or 10% from $525.4 million at December 31, 2001. The increase in residential real estate mortgages was driven primarily by the historic low interest rates for residential real estate mortgages which

led to an increase in demand for the product in 2002. The Company continued its trend of strong growth for its home equity products. Home equity loans totaled $269.6 million at December 31, 2002, up $36.9 million or 16% from the $232.6 million outstanding at December 31, 2001. Commercial loans and commercial real estate decreased $37.7 million, to $920.3 million at December 31, 2002 from $958.1 million at December 31, 2001. The decrease in commercial loans and commercial real estate was driven primarily by the Company's focus to improve the credit quality of this portfolio in 2002. Additionally, sluggish business conditions and strong competition in a weak market factored into the decline in the commercial loan and real estate portfolio in 2002 as well. Lastly, nonaccrual commercial and agricultural loans and real estate decreased by $14.4 million, to $17.0 million at December 31, 2002 from $31.4 million at December 31, 2001. Consumer loans decreased $29.9 million to $357.2 million at December 31, 2002 from $387.1 million at December 31, 2001. The decrease in consumer loans resulted primarily from a decline in revolving personal credit and loans secured by recreational equipment and manufactured housing.

The following table reflects the loan and lease portfolio by major categories as of December 31 for the years indicated:

TABLE 3. COMPOSITION OF LOAN AND LEASE PORTFOLIO

	DECEMBER 31,				
(In thousands)	2002	2001	2000	1999	1998
Residential real estate mortgages	$ 579,638	$ 525,411	$ 504,590	$ 521,684	$ 494,783
Commercial and commercial real estate	920,330	958,075	948,472	755,393	601,878
Real estate construction and development	64,025	60,513	44,829	25,474	18,626
Agricultural and agricultural real estate	104,078	103,884	92,713	85,753	84,479
Consumer	357,214	387,081	357,822	320,682	294,230
Home equity	269,553	232,624	219,355	139,472	120,712
Lease financing	61,094	72,048	79,874	76,002	43,486
Total loans and leases	$2,355,932	$2,339,636	$2,247,655	$1,924,460	$1,658,194

Real estate mortgages consist primarily of loans secured by first or second deeds of trust on primary residencies. Loans in the commercial and agricultural category, as well as commercial and agricultural real estate mortgages, consist primarily of short-term and/or floating rate loans made to small to medium-sized entities. Consumer loans consist primarily of installment credit to individuals secured by automobiles and other personal property including manufactured housing. Manufactured housing loans totaled $35.5 million and $41.4 million at December 31, 2002 and 2001, respectively, and were 9.9% and 10.7% of total consumer loans at December 31, 2002 and 2001, respectively. These decreases from 2001 to 2002 are consistent with the Company's plan to de-emphasize loans secured by manufactured housing.

LEASE FINANCING

The Company maintained an automobile lease financing portfolio totaling $61.1 million at December 31, 2002 and $72.0 million at December 31, 2001. Lease receivables primarily represent automobile financing to customers through direct financing leases and are carried at the aggregate of the lease payments receivable and the estimated residual values, net of unearned income and net deferred lease origination fees and costs. Net deferred lease origination fees and costs are amortized under the effective interest method over the estimated lives of the leases. The estimated residual value related to the total lease portfolio is reviewed quarterly, and if there has been a decline in the estimated fair value of the residual that is judged by management to be other-than-temporary, a loss is recognized. Adjustments related to such other-than-temporary declines in estimated fair value are recorded with other noninterest expenses in the consolidated statements of income. One of the most significant risks associated with leasing operations is the recovery of the residual value of the leased vehicles at the termination of the lease. When a lease receivable asset is recorded, included in this amount is the estimated residual value of the leased vehicle at the termination of the lease. At termination, the lessor has the option to purchase the vehicle or may turn the vehicle over to the Company.

The estimation of residual value is critical to the determination of the leasing terms. The Company currently utilizes published valuations for specific vehicle types in order to determine estimated residual values. However, from the date of origination of the lease to the date of the termination of the lease, valuations for used vehicles change. The residual values included in lease financing receivables totaled $42.8 million and $52.4 million at December 31, 2002 and 2001, respectively.

The Company has acquired residual value insurance protection in order to reduce the risk related to a decline in the published values of used vehicles between the date of origination and the date of the lease termination. Residual value insurance is designed to cover the difference between the industry-published valuation for used vehicles at the termination of the lease, as compared to the industry published valuation at the origination of the lease.

In 2001, the Company's then provider of this residual value insurance indicated that they intended to change the source of the industry valuation for used vehicles, which, in essence, reduced the insurance coverage and increased losses the Company would realize upon disposition of the leased vehicles. In January 2000, the Company changed its residual value insurance provider to a new carrier. However, residual value insurance coverage related to approximately $25.0 million of the lease financing portfolio at December 31, 2001 is insured by the former insurance carrier. At December 31, 2002, the residual value insurance coverage for leases insured by the former insurance carrier decreased to $8.2 million as a result of maturities and prepayments of leases during 2002.

Not withstanding the issue associated with the former insurance carrier, there is an additional risk in the leasing business with respect to recovery of residual values of leased vehicles. While residual value insurance is designed to protect against a drop in industry published values, and only to the extent of any such decline, there remains a risk that the actual sales price for the turned-in leased vehicles is less than the industry-published value. The Company experienced significant losses in 2001 because the amounts that turned-in leased vehicles actually sold for was less than the published industry values.

Throughout 2001, there was significant weakness in the market for used vehicles. This general weakness was significantly exacerbated by the events of September 11th as well as the extremely favorable financing opportunities provided by large automakers for new vehicles. This situation not only softened the demand for used vehicles, but increased the supply.

This situation, coupled with the issue associated with the former insurance carrier discussed above, resulted in an impairment of residual values, which was other-than-temporary at December 31, 2001. Accordingly, the Company recorded an other-than-temporary-impairment charge of $3.5 million in 2001. These charges were included in other noninterest expenses on the consolidated statements of income.

In 2002, competitive pressure from large automakers combined with lower residual values on automobiles which results in higher lease payments making the product less attractive, resulted in a 15.2% decrease in outstanding lease financing at December 31, 2002 when compared to outstanding lease financing at December 31, 2001. During 2002, values for used vehicles stabilized, thereby lowering the average loss on turned-in leased vehicles during 2002 when compared to the levels experienced in 2001. The decrease in the average loss on turned-in leased vehicles in 2002 combined with the decrease in exposure to insurance coverage provided by the Company's former insurance carrier discussed above, resulted in no provision for the other-than-temporary impairment in residual values for lease financing in 2002.

The estimation of the other-than-temporary-impairment charge was based upon the current level of leased vehicles turned in as well as the mix of the leasing portfolio between types of vehicles. At December 31, 2002, the Company has projected that 65% of its leased vehicles will be turned in. At December 31, 2001, this projection was 71%. At December 31, 2002, approximately 36% of the Company's leasing portfolio is made up of sport utility vehicles, or SUVs, which have experienced the greatest amount of declines in residual values in the used market, as well as the highest turn-in rate. Should the amount of vehicle turn-ins increase or values for such used vehicles decline, the level of other-than-temporary impairment might be increased.

The following table, Maturities and Sensitivities of Certain Loans to Changes in Interest Rates, are the maturities of the commercial and agricultural and real estate and construction development loan portfolios and the sensitivity of loans to interest rate fluctuations at December 31, 2002. Scheduled repayments are reported in the maturity category in which the contractual payment is due.

TABLE 4. MATURITIES AND SENSITIVITIES OF CERTAIN LOANS TO CHANGES IN INTEREST RATES

	REMAINING MATURITY AT DECEMBER 31, 2002			
(In thousands)	WITHIN ONE YEAR	AFTER ONE YEAR BUT WITHIN FIVE YEARS	AFTER FIVE YEARS	TOTAL
FLOATING/ADJUSTABLE RATE				
Commercial, commercial real estate, agricultural, and agricultural real estate	$ 534,502	$ 61,619	$ 1,422	$ 597,543
Real estate construction and development	10,403	8,405	282	19,090
Total floating rate loans	544,905	70,024	1,704	616,633
FIXED RATE				
Commercial, commercial real estate, agricultural, and agricultural real estate	109,057	194,982	122,826	426,865
Real estate construction and development	4,374	8,251	32,310	44,935
Total fixed rate loans	113,431	203,233	155,136	471,800
Total	$ 658,336	$ 273,257	$ 156,840	$1,088,433

SECURITIES AND CORRESPONDING INTEREST AND DIVIDEND INCOME

The average balance of securities available for sale was $947.0 million, which is an increase of $13.9 million, or 1.5%, from $933.1 million in 2001. The increase resulted primarily from the reinvestment of funds from maturities and paydowns from securities held to maturity and trading securities. The yield on average securities available for sale was 5.98% in 2002 compared to 6.63% in 2001. The decrease in yield, resulted in a decrease in interest income on securities available for sale of $5.3 million, from $61.9 million in 2001 to $56.6 million in 2002. The decrease in yield was caused primarily by the reinvestment of funds at lower rates in the declining rate environment in 2002. The average balance of securities held to maturity was $93.0 million during 2002, which is a decrease of $6.9 million, from $99.8 million in 2001. The decrease is primarily a result of proceeds from maturities and paydowns of securities held to maturity reinvested in securities available for sale. The yield on securities held to maturity was 6.04% in 2002 compared to 6.65% in 2001. Interest income on securities held to maturity decreased $1.0 million, from $6.6 million in 2001 to $5.6 million in 2002.

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

Non-marketable equity securities are carried at cost, with the exception of small business investment company (SBIC) investments, which are carried at fair value in accordance with SBIC rules.

Premiums and discounts are amortized or accreted over the life of the related security as an adjustment to yield using the interest method. Dividend and interest income are recognized when earned. Realized gains and losses on securities sold are derived using the specific identification method for determining the cost of securities sold.

The Company recorded a $0.7 million, $8.3 million, and $3.5 million pre-tax charge during 2002, 2001 and 2000, respectively, related to estimated other-than-temporary impairment of certain securities classified as available for sale. The charges were recorded in net security (losses) gains on the consolidated statements of

income. The security with other-than-temporary impairment charges at December 31, 2002 had a remaining carrying value of $1.1 million, is classified in securities available for sale and is on the non-accrual status.

The following table presents the amortized cost and fair market value of the securities portfolio as of December 31 for the years indicated.

TABLE 5. SECURITIES PORTFOLIO

	AS OF DECEMBER 31,					
	2002		2001		2000	
(In thousands)	AMORTIZED COST	FAIR VALUE	Amortized Cost	Fair Value	Amortized Cost	Fair Value
SECURITIES AVAILABLE FOR SALE						
U.S. Treasury	$ 502	$ 514	$ 12,392	$ 11,757	$ 16,392	$ 15,924
Federal Agency and mortgage-backed	810,784	833,940	524,101	530,613	580,934	578,625
State & Municipal, collateralized mortgage obligations and other securities	168,803	173,129	366,325	366,971	342,811	342,208
Total securities available for sale	$ 980,089	$1,007,583	$ 902,818	$909,341	$ 940,137	$936,757
TRADING SECURITIES	$ 203	$ 203	$ 126	$ 126	$ 20,540	$ 20,540
SECURITIES HELD TO MATURITY						
Federal Agency and mortgage-backed	$ 24,613	$ 25,720	$ 36,733	$ 36,623	$ 46,376	$ 45,528
State & Municipal	56,021	56,917	64,715	64,715	63,992	64,260
Other securities	1,880	1,880	156	157	47	47
Total securities held to maturity	$ 82,514	$ 84,517	$ 101,604	$101,495	$ 110,415	$109,835

The following tables summarize the securities considered to be other-than-temporarily impaired (OTTI) at the dates indicated:

	AT DECEMBER 31, 2002		At December 31, 2001	
(In thousands)	AMORTIZED COST AND FAIR VALUE	OTTI CHARGE	Amortized Cost and Fair Value	OTTI Charge
SECURITY TYPE				
Asset backed security	$ -	$ -	$ 1,820	$ 1,680
Private issue collateralized mortgage obligation	1,122	660	2,680	4,021
Corporate debt security	-	-	-	300
Total	$ 1,122	$ 660	$ 4,500	$ 6,001

The cumulative writedown of the private issue collateralized mortgage obligation at December 31, 2002 totaled $4.7 million. The asset backed security was sold during 2002 at approximately its carrying value at December 31, 2001 and the corporate debt security was sold for $0.1 million during 2002.

Included in the securities available for sale portfolio at December 31, 2002, are certain securities (private issue CMO, asset-backed securities, and private issue mortgaged-backed securities) previously held by CNB.

These securities contain a higher level of credit risk when compared to other securities held in the Company's investment portfolio because they are not guaranteed by a governmental agency or a government sponsored enterprise (GSE). The Company's general practice is to purchase CMO and mortgage-backed securities that are guaranteed by a governmental agency or a GSE coupled with a strong credit rating, typically AAA, issued by Moody's or Standard and Poors.

At December 31, 2002, the amortized cost and fair

value of these high-risk securities amounted to $12.0 million and $10.7 million, respectively, down from $38.7 million and $38.5 million, respectively, at December 31, 2001. The decrease at December 31, 2002, when compared to December 31, 2001, resulted primarily from sales and to a lesser extent principal paydowns. During 2002, the Company sold $22.4 million of these securities due to a continued deterioration in the financial condition of the underlying collateral in 2002 related to a certain number these securities as well as the Company's goal of reducing exposure to these types of securities. The net loss realized from the sale of these securities was $7.4 million. Offsetting these net losses were net gains of $7.3 million, resulting from the sale of approximately $187.0 million in other securities available for sale during 2002.

In January 2002, the Company had certain embedded derivative instruments related to two debt securities that have returns linked to the performance of the NASDAQ 100 index. Management determined that these debt securities do not qualify for hedge accounting under SFAS No. 133 (see Impact of New Accounting Standards). The embedded derivatives have been separated from the underlying host instruments for financial reporting purposes and accounted for at fair value. During the year ended December 31, 2001, the Company recorded $0.6 million of net losses related to the adjustment of the embedded derivatives to estimated fair value ($0.2 million of which was recorded on January 1, 2001 upon the adoption of SFAS No. 133), which was recorded in net gain (loss) on securities transactions on the 2001 consolidated statement of income. At December 31, 2001, the total amortized cost and estimated fair value of these two debt securities was $6.2 million. The two debt securities were sold in 2002 at amounts approximating their carrying values at December 31, 2001.

FUNDING SOURCES AND CORRESPONDING INTEREST EXPENSE

The Company utilizes traditional deposit products such as time, savings, NOW, money market, and demand deposits as its primary source for funding. Other sources, such as short-term FHLB advances, federal funds purchased, securities sold under agreements to repurchase, brokered time deposits, and long-term FHLB borrowings are utilized as necessary to support the Company's growth in assets and to achieve interest rate sensitivity objectives. The average balance of interest-bearing liabilities remained relatively unchanged, totaling $2.9 billion in 2002 and 2001. The rate paid on interest-bearing liabilities decreased from 4.07% in 2001 to 2.78% in 2002.

The decrease in the rate paid on interest bearing liabilities, caused a decrease in interest expense of $37.1 million, or 31.6%, from $117.5 million in 2001 to $80.4 million in 2002.

DEPOSITS

Average interest bearing deposits decreased $34.7 million, or 1.4%, during 2002. The decrease resulted primarily from a decrease in time deposits of $145.2 million, due primarily to the conscious effort to allow runoff of some higher cost municipal time deposits as well as the sale of a branch in February 2002 which resulted in the sale of $34.3 million in deposits. Offsetting this decrease was strong growth in core deposits in 2002. The average balance of NOW, Money Market Deposit Accounts ("MMDA"), and savings comprised 46.2% of average interest bearing deposits in 2002 compared to 41.1% in 2001. The average balance of demand deposits increased $37.3 million, or 9.7%, from $382.5 million in 2001 to $419.7 million in 2002. The ratio of average demand deposits to total average deposits increased from 11.3% in 2001 to 14.5% in 2002.

The improvement in the Company's deposit mix noted above, combined with the falling interest rate environment prevalent in 2002, resulted in a decrease in the rate paid on interest bearing deposits of 137 bp, from 3.93% in 2001 to 2.56% in 2002. The average rate paid on MMDAs, which are very sensitive to changes in interest rates, declined 117 bp from 2.77% in 2001 to 1.60% in 2002. The rate paid on average time deposits decreased 158 bp, from 5.22% in 2001 to 3.64% in 2002. The decrease in the rate paid on average time deposits, combined with the decline in the average balance of time deposits, resulted in a $28.6 million decrease in interest expense paid on time deposits, from $77.1 million in 2001 to $48.5 million in 2002.

The following table presents the maturity distribution of time deposits of $100,000 or more at December 31, 2002:

TABLE 6. MATURITY DISTRIBUTION OF TIME DEPOSITS OF $100,000 OR MORE

(In thousands)	DECEMBER 31, 2002
Within three months	$ 191,975
After three but within six months	35,652
After six but within twelve months	53,313
After twelve months	144,747
Total	$ 425,687

BORROWINGS

Average short-term borrowings decreased from $123.2 million in 2001 to $87.0 million in 2002. Consistent with the decreasing interest rate environment during 2002, the average rate paid also decreased from 4.36% in 2001 to 1.53% in 2002. The decrease in the average balance combined with the decrease in the average rate paid caused interest expense on short-term borrowings to decrease $4.0 million from $5.4 million in 2001 to $1.3 million in 2002. Average long-term debt increased $74.9 million, from $259.6 million in 2001 to $334.5 million in 2002. The increase in long-term debt and the decrease in short-term borrowings and time deposits was a result of the Company limiting its liability sensitive position and its exposure to rising interest rates.

Short-term borrowings consist of Federal funds purchased and securities sold under repurchase agreements, which generally represent overnight borrowing transactions, and other short-term borrowings, primarily Federal Home Loan Bank (FHLB) advances, with original maturities of one year or less. The Company has unused lines of credit and access to brokered deposits available for short- term financing of approximately $632 million and $767 million at December 31, 2002 and 2001, respectively. Securities collateralizing repurchase agreements are held in safekeeping by non-affiliated financial institutions and are under the Company's control. Long-term debt, which is comprised primarily of FHLB advances, are collateralized by the FHLB stock owned by the Company, certain of its mortgage-backed securities and a blanket lien on its residential real estate mortgage loans.

RISK MANAGEMENT

CREDIT RISK

Credit risk is managed through a network of loan officers, credit committees, loan policies, and oversight from the senior credit officers and Board of Directors. Management follows a policy of continually identifying, analyzing, and grading credit risk inherent in each loan portfolio. An ongoing independent review, subsequent to management's review, of individual credits in the commercial loan portfolio is performed by the independent loan review function. These components of the Company's underwriting and monitoring functions are critical to the timely identification, classification, and resolution of problem credits.

NONPERFORMING ASSETS

TABLE 7. NONPERFORMING ASSETS

	AS OF DECEMBER 31,				
(Dollars in thousands)	2002	2001	2000	1999	1998
NONACCRUAL LOANS					
Commercial and agricultural loans and real estate	$16,980	$31,372	$14,054	$ 9,519	$7,819
Real estate mortgages	5,522	5,119	647	618	744
Consumer	1,507	3,719	2,402	2,671	3,106
Total nonaccrual loans	24,009	40,210	17,103	12,808	11,669
LOANS 90 DAYS OR MORE PAST DUE AND STILL ACCRUING					
Commercial and agricultural loans and real estate	237	198	4,523	1,201	1,365
Real estate mortgages	1,325	1,844	3,042	641	761
Consumer	414	933	865	906	1,908
Total loans 90 days or more past due and still accruing	1,976	2,975	8,430	2,748	4,034
Restructured loans	409	603	656	1,014	1,247
Total nonperforming loans	26,394	43,788	26,189	16,570	16,950
Other real estate owned	2,947	1,577	1,856	2,696	4,070
Total nonperforming loans and other real estate owned	29,341	45,365	28,045	19,266	21,020
Nonperforming securities	1,122	4,500	1,354	1,535	-
Total nonperforming loans, securities, and other real estate owned	$30,463	$49,865	$29,399	$20,801	$21,020
Total nonperforming loans to loans and leases	1.12%	1.87%	1.17%	0.86%	1.02%
Total nonperforming loans and other real estate owned to total assets	0.79%	1.25%	0.78%	0.58%	0.73%
Total nonperforming loans, securities, and other real estate owned to total assets	0.82%	1.37%	0.82%	0.63%	0.73%
Total allowance for loan and lease losses to nonperforming loans	152.18%	102.19%	124.07%	170.43%	157.02%

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

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

For purposes of evaluating the adequacy of the allowance, the Company considers a number of significant factors that affect the collectibility of the portfolio. For individually analyzed loans, these include estimates of loss exposure, which reflect the facts and circumstances that affect the likelihood of repayment of such loans as of the evaluation date. For homogeneous pools of loans and leases, estimates of the Company's exposure to credit loss

reflect a current assessment of a number of factors, which could affect collectibility. These factors include: past loss experience; size, trend, composition, and nature; changes in lending policies and procedures, including underwriting standards and collection, charge-offs and recoveries; trends experienced in nonperforming and delinquent loans; current economic conditions in the Company's market; portfolio concentrations that may affect loss experienced across one or more components of the portfolio; the effect of external factors such as competition, legal and regulatory requirements; and the experience, ability, and depth of lending management and staff. In addition, various regulatory agencies, as an integral component of their examination process, periodically review the Company's allowance for loan and lease losses. Such agencies may require the Company to recognize additions to the allowance based on their examination.

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

TABLE 8. ALLOWANCE FOR LOAN AND LEASE LOSSES

(Dollars in thousands)	2002	2001	2000	1999	1998
Balance at January 1	$44,746	$32,494	$28,240	$26,615	$24,828
LOANS AND LEASES CHARGED-OFF					
Commercial and agricultural	9,970	17,097	3,949	2,737	2,794
Real estate mortgages	2,547	783	1,007	1,165	1,139
Consumer*	5,805	4,491	2,841	2,808	2,796
Total loans and leases charged-off	18,322	22,371	7,797	6,710	6,729
RECOVERIES					
Commercial and agricultural	3,394	1,063	503	367	529
Real estate mortgages	104	122	141	198	152
Consumer*	1,172	1,004	739	874	913
Total recoveries	4,670	2,189	1,383	1,439	1,594
Net loans and leases charged-off	13,652	20,182	6,414	5,271	5,135
Allowance related to purchase acquisitions	-	505	525	-	-
Provision for loan and lease losses	9,073	31,929	10,143	6,896	6,922
Balance at December 31	$40,167	$44,746	$32,494	$28,240	$26,615
Allowance for loan and lease losses to loans and leases outstanding at end of year	1.70%	1.91%	1.45%	1.47%	1.61%
Net charge-offs to average loans and leases outstanding	0.58%	0.87%	0.31%	0.30%	0.33%

* Consumer charge-off and recoveries include consumer, home equity, and lease financing.

Total nonperforming assets were $30.5 million at December 31, 2002, compared to $49.9 million at December 31, 2001. Nonperforming loans totaled $26.4 million at December 31, 2002, down significantly from the $43.8 million outstanding at December 31, 2001. The $17.4 million decrease in nonperforming loans from December 31, 2001 to December 31, 2002, was due to the Company's successful efforts in resolving certain large problematic commercial loans as well as loan charge-offs. Non-accrual commercial and agricultural loans decreased $14.4 million, from $31.4 million at December 31, 2001, to $17.0 million at December 31, 2002. The improvement in the Company's loan quality ratios are a direct result of the actions the Company took in 2001 to integrate credit

administration functions of acquired banks into the Company's conservative credit culture. Based on the improved trends in loan quality noted above and the decrease in net charge-offs in 2002 when compared to 2001 highlighted in Table 8 above, the Company recorded a provision for loan and lease losses of $9.1 million for the year ended December 31, 2002, down from the $31.9 million provided in the same period in 2001.

The Company's strategic focus on loan growth, particularly in commercial lending, was also a focus of the banks acquired by the Company in 2001 and 2000; CNB Bank, LA Bank, NA and Pioneer American Bank, NA (see also Mergers and Acquisition). These acquired banks underwrote numerous commercial related loans prior to merging with the Company, based upon their respective underwriting processes and analysis, including several larger credits which became non-performing in 2001. Additionally, CNB Bank significantly increased its consumer loan portfolio in recent years. Accordingly, the Company's loan growth in general, in particular the growth in higher credit risk loan types, combined with the fact that the recently acquired banks appeared to have used generally less conservative underwriting and monitoring standards increased the inherent risk of loss in the loan and lease portfolio.

As the Company's loan and lease portfolio continued to grow and the loan mix continued to move in the direction of higher credit risk loan types, the economy in the Company's market areas took a dramatic turn for the worse in 2001, especially in the second half of 2001. This sudden economic down turn came at a particularly bad time for the Company given the growth in the Company's higher credit risk loan types. The difficult economic environment experienced in the Company's market areas was consistent with what has been experienced by the national economy throughout 2001 and resulted in, among other things, significant reductions in many borrowers' revenues and cash flows as well as reduced valuations for certain real estate and other collateral. In fact, certain large commercial relationships in the Company's portfolio reported significant deterioration in the later part of 2001, primarily due to the difficult economic environment.

During 2001, the Company completed the integration process with respect to the Pennstar banking division (formerly LA Bank, N.A. and Pioneer American Bank N.A.). The Company's integration efforts with the recently merged CNB banking division was completed in 2002. The integration process included bringing these banking divisions' credit administration practices in line with the Bank's policies, adopting the Bank's credit risk grading system, and upgrading numerous commercial real estate and other collateral appraisals. At December 31, 2001, the credit administration function of the Pennstar and CNB banking divisions, including workout and collections, was consolidated and standardized using the Bank model, and key personnel from the Bank's commercial lending area were installed at Pennstar and CNB to oversee the lending operations of the respective divisions.

As a result of the economic downturn, and the integration processes with respect to recently merged banks discussed above, the Company performed an extensive review of its loan portfolio during 2001. This review focused on consistency in the identification and classification of problematic loans and the measurement of loss exposure on individual loans, especially in light of the generally weakened financial performance of borrowers caused by the economic downturn and reduced collateral values.

Non-performing loans increased from $26.2 million at December 31, 2000 to $43.8 million at December 31, 2001. The vast majority, approximately 92%, of nonperforming loans are in the non-accrual category. Within non-accrual loans, all loan types experienced significant increases, however, the largest increase was in the commercial and agricultural loans. Commercial and agricultural non-accrual loans, increased $17.3 million from $14.1 million at December 31, 2000 to $31.4 million at December 31, 2001. Consumer non-accrual loans also significantly increased from $2.4 million at December 31, 2000 to $3.7 million at December 31, 2001.

As a result of the reduction in nonperforming loans during 2002, the total allowance for loan and lease losses is 152.18% of non-performing loans at December 31, 2002 as compared to 102.19% at December 31, 2001. While loans and leases classified as non-performing have a strong likelihood of experiencing a loss, substantially all non-performing loans are collateralized, many to a reasonably high percentage of the outstanding loan balance.

Impaired loans, which primarily consist of non-accruing commercial type loans and all loans restructured in a troubled debt restructuring, also decreased significantly, totaling $17.4 million at December 31, 2002 as compared to $32.0 million at December 31, 2001. The related allowance for these impaired loans is $0.5 million or 3.1% of the impaired loans at December 31, 2002 as compared to $1.4 million and 4.4%, respectively, at December 31, 2001. At December 31, 2002 and 2001 there were $15.5 million and $29.8 million, respectively, of impaired loans which did not have an allowance for loan losses due to the adequacy of their collateral or previous charge offs.

Total net charge-offs for 2002 totaled $13.7 million as compared to $20.2 million for 2001. The ratio of net

charge-offs to average loans was 0.58% for 2002 and 0.87% for 2001. The decrease in net charge-offs in 2002 resulted from the reduction in nonperforming loans and an improvement in loan quality. However, the level of net charge-offs experienced in 2002 was higher than the Company's net charge-off experience prior to 2001. The higher level of net charge-offs in 2002, resulted from the increase in nonperforming loans in 2001. Net charge-offs in 2002 exceeded the 2002 provision for loan and lease losses as a result of the Company fully reserving certain of the 2002 charge-offs, primarily related to nonaccruing loans in 2001. As mentioned previously, the provision for loan and lease losses for 2002 totaled $9.1 million down from the $31.9 million provided in 2001.

For the same reasons that non-performing loans increased in 2001, the Company also experienced a significant increase in net charge-offs in 2001 as compared to 2000. Net charge-offs in 2001 increased $13.8 million to $20.2 million from $6.4 in 2000. Consistent with the above, the increased net charge-offs was primarily in the commercial and agricultural portfolio, where net charge-offs were $16.0 million in 2001 as compared to $3.4 million in 2000. Net charge-offs as a percentage of average loans and leases and leases was .87% in 2001 as compared to .31% in 2000. As a result of the growth in the loan and lease portfolio, particularly the growth in higher credit risk loan types in 2001, combined with the fact that recently acquired banks appeared to have used generally less conservative underwriting and monitoring standards, the significant downturn in economic conditions in the Company's market areas as well as the significant increases in non-performing loans and net charge offs, the Company increased its provision for loan and lease losses to $31.9 million for 2001 from $10.1 million in 2000.

The allowance for loan and lease losses decreased from $44.7 million at December 31, 2001, or 1.91% of total loans and leases, to $40.2 million at December 31, 2002, or 1.70%. The decrease in the allowance for loan and lease losses is due to net loan charge-offs in 2002 exceeding the 2002 provision for loan and lease losses, as discussed above. Based upon a thorough analysis of the inherent risk of loss in the Company's current loan and lease portfolio, management believes that the allowance for loan and lease losses at December 31, 2002 is adequate. However, should the economy worsen, non-performing loans, net charge offs and provisions for loan and lease losses may increase.

The following table sets forth the allocation of the allowance for loan losses by category, as well as the percentage of loans and leases in each category to total loans and leases, as prepared by the Company. This allocation is based on management's assessment of the risk characteristics of each of the component parts of the total loan portfolio as of a given point in time and is subject to changes as and when the risk factors of each such component part change. The allocation is not indicative of either the specific amounts of the loan categories in which future charge-offs may be taken, nor should it be taken as an indicator of future loss trends. The allocation of the allowance to each category does not restrict the use of the allowance to absorb losses in any category. The following table sets forth the allocation of the allowance for loan losses by loan category.

TABLE 9. ALLOCATION OF THE ALLOWANCE FOR LOAN AND LEASE LOSSES

	DECEMBER 31,							
	2002		2001		2000		1999	
(Dollars in thousands)	ALLOWANCE	CATEGORY PERCENT OF LOANS	Allowance	Category Percent of of Loans	Allowance	Category Percent of of Loans	Allowance	Category Percent of Loans
Commercial and agricultural	$ 25,589	71%	$ 34,682	85%	$ 20,510	72%	$ 14,115	62%
Real estate mortgages	3,884	10%	1,611	4%	1,669	6%	2,506	11%
Consumer	7,654	19%	4,626	11%	6,379	22%	6,270	27%
Unallocated	3,040	-	3,827	-	3,936	-	5,349	-
Total	$ 40,167	100%	$ 44,746	100%	$ 32,494	100%	$ 28,240	100%

	1998	
(Dollars in thousands)	Allowance	Category Percent of of Loans
Commercial and agricultural	$ 12,728	62%
Real estate mortgages	1,621	8%
Consumer	6,304	30%
Unallocated	5,962	-
Total	$ 26,615	100%

In addition to the nonperforming loans discussed above, the Company has also identified approximately $48.5 million in potential problem loans at December 31, 2002 as compared to $48.6 million at December 31, 2001. Potential problem loans are loans that are currently performing, but where known information about possible credit problems of the related borrowers causes management to have serious doubts as to the ability of such borrowers to comply with the present loan repayment terms and which may result in disclosure of such loans as nonperforming at some time in the future. At the Company, potential problem loans are typically loans that are performing but are classified by the Company's loan rating system as "substandard." At December 31, 2002, potential problem loans primarily consisted of commercial and agricultural real estate and commercial and agricultural loans. Management cannot predict the extent to which economic conditions may worsen or other factors which may impact borrowers and the potential problem loans. Accordingly, there can be no assurance that other loans will not become 90 days or more past due, be placed on non-accrual, become restructured, or require increased allowance coverage and provision for loan losses.

At December 31, 2002, approximately 60.5% of the Company's loans are secured by real estate located in central and northern New York and northeastern Pennsylvania. Accordingly, the ultimate collectibility of a substantial portion of the Company's portfolio is susceptible to changes in market conditions of those areas. Management is not aware of any material concentrations of credit to any industry or individual borrowers.

LIQUIDITY RISK

Liquidity involves the ability to meet the cash flow requirements of customers who may be depositors wanting to withdraw funds or borrowers needing assurance that sufficient funds will be available to meet their credit needs. The Asset Liability 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 policies must also provide the flexibility to implement appropriate strategies and tactical actions. Requirements change as loans and leases grow, deposits and securities mature, and payments on borrowings are made. Liquidity management includes a focus on interest rate sensitivity management with a goal of avoiding widely fluctuating net interest margins through periods of changing economic conditions.

The primary liquidity measurement the Company utilizes is called the Basic Surplus which captures the adequacy of its access to reliable sources of cash relative to the stability of its funding mix of average liabilities. This approach recognizes the importance of balancing levels of cash flow liquidity from short and long-term securities with the availability of dependable borrowing sources which can be accessed when necessary. At December 31, 2002, the Company's Basic Surplus measurement was 12.8% of total assets or $477 million, which was above the Company's minimum of 5% or $186 million set forth in its liquidity policies.

This Basic Surplus approach enables the Company to adequately manage liquidity from both operational and contingency perspectives. By tempering the need for cash flow liquidity with reliable borrowing facilities, the Company is able to operate with a more fully invested and, therefore, higher interest income generating, securities portfolio. The makeup and term structure of the securities portfolio is, in part, impacted by the overall interest rate sensitivity of the balance sheet. Investment decisions and deposit pricing strategies are impacted by the liquidity position. At December 31, 2002, the Company considered its Basic Surplus adequate to meet liquidity needs.

A significant improvement in the economy, may lead to an increase in demand for loan products as well as an increase in the demand for equity related products, which in turn, could result in a decrease in the Company's deposit base or result in loan growth exceeding deposit growth. This scenario could lead to a decrease in its basic surplus measure below the minimum policy level of 5%. To manage this risk, the Company has the ability to purchase brokered time deposits, established borrowing facilities with other banks (Federal funds), and has the ability to enter into repurchase agreements with investment companies. The additional liquidity that could be provided by these measures amounted to $462 million at December 31, 2002.

At December 31, 2002, a portion of the Company's loans and securities were pledged as collateral on borrowings. Therefore, future growth of earning assets will depend upon the Company's ability to obtain additional funding, through growth of core deposits and collateral management, and may require further use of brokered time deposits, or other higher cost borrowing arrangements.

OFF-BALANCE SHEET RISK

COMMITMENTS TO EXTEND CREDIT

The Company makes contractual commitments to extend credit and unused lines of credit which are subject to the

Company's credit approval and monitoring procedures. At December 31, 2002 and 2001, commitments to extend credit in the form of loans, including unused lines of credit, amounted to $409.1 million and $343.1 million, respectively. In the opinion of management, there are no material commitments to extend credit, including unused lines of credit, that represent unusual risks. All commitments to extend credit in the form of loans, including unused lines of credit expire within one year.

STAND-BY LETTERS OF CREDIT

In November 2002, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 45 (FIN No. 45), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others; an Interpretation of FASB Statements Nos. 5, 57, and 107 and rescission of FASB Interpretation No. 34." FIN No. 45 requires certain new disclosures and potential liability-recognition for the fair value at issuance of guarantees that fall within its scope. Under FIN No. 45, the Company does not issue any guarantees that would require liability-recognition or disclosure, other than its stand-by letters of credit.

The Company guarantees the obligations or performance of customers by issuing stand-by letters of credit to third parties. These stand-by letters of credit are frequently issued in support of third party debt, such as corporate debt issuances, industrial revenue bonds, and municipal securities. The risk involved in issuing stand-by letters of credit is essentially the same as the credit risk involved in extending loan facilities to customers, and they are subject to the same credit origination, portfolio maintenance and management procedures in effect to monitor other credit and off-balance sheet products. Typically, these instruments have terms of five years or less and expire unused; therefore, the total amounts do not necessarily represent future cash requirements. At December 31, 2002 and 2001, outstanding stand-by letters of credit were approximately $24.7 million and $21.0 million, respectively. The fair value of the Company's stand-by letters of credit at December 31, 2002 was insignificant. The following table sets forth the commitment expiration period for stand-by-letters of credit at December 31, 2002:

Within one year	$13,580
After one but within three years	2,832
After three but within five years	8,247
Total	$24,659

LOANS SERVICED FOR OTHERS AND LOANS SOLD WITH RECOURSE

The total amount of loans serviced by the Company for unrelated third parties was approximately $77.2 million and $93.2 million at December 31, 2002 and 2001, respectively. At December 31, 2002 and 2001, the Company serviced $15.0 million and $18.3 million, respectively, of loans sold with recourse.

RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Company has made loans at prevailing rates and terms to directors, officers, and other related parties. Such loans, in management's opinion, do not present more than the normal risk of collectibility or incorporate other unfavorable features. The aggregate amount of loans outstanding to qualifying related parties at December 31, 2002 and 2001 were $17.0 million and $14.6 million, respectively.

The law firm of Kowalczyk, Tolles, Deery and Johnston, of which Director Andrew S. Kowalczyk, Jr., is a partner, provided legal services in the amount of $116,330 to us and NBT Bank in 2002. The law firms of Harris Beach LLP, Oliver, Price, & Rhodes, and Needle, Goldenzeil, and Pascale, of which Directors William L. Owens, Paul D. Horger, and Gene E. Goldenziel are partners, provide legal services to us from time to time. Arthur J. Gallagher & Co. of New York, of which Michael H. Hutcherson is the Area President, provides insurance services to us from time to time. Payments for services provided by Directors Owens, Horger, Goldenziel, and Hutcherson did not exceed $60,000 during 2002. Services from these firms were provided in the ordinary course of business and at market terms.

CAPITAL RESOURCES

Consistent with its goal to operate a sound and profitable financial institution, the Company actively seeks to maintain a "well-capitalized" institution in accordance with regulatory standards. The principal source of capital to the Company is earnings retention. The Company's capital measurements are in excess of both regulatory minimum guidelines and meet the requirements to be considered well capitalized.

The Company's principal source of funds to pay interest on its capital securities and pay cash dividends to its shareholders is dividends from its subsidiaries. Various laws and regulations restrict the ability of banks to pay dividends to their shareholders. Generally, the payment of

dividends by the Company in the future as well as the payment of interest on the capital securities will require the generation of sufficient future earnings by its subsidiaries.

The Bank also is subject to substantial regulatory restrictions on its ability to pay dividends to the Company. Under OCC regulations, the Bank may not pay a dividend, without prior OCC approval, if the total amount of all dividends declared during the calendar year, including the proposed dividend, exceed the sum of its retained net income to date during the calendar year and its retained net income over the preceding two years. At December 31, 2002, approximately $9.8 million of the total stockholders' equity of the Bank was available for payment of dividends to the Company without approval by the OCC. The Bank's ability to pay dividends also is subject to the Bank being in compliance with regulatory capital requirements. The Bank is currently in compliance with these requirements.

STOCK REPURCHASE PLAN

On July 22, 2002, the Company announced that it intended to repurchase up to one million shares (approximately 3%) of its outstanding common stock from time to time over the next 12 months in open market and privately negotiated transactions. Since the announcement of the Stock Repurchase Plan, the Company repurchased a total of 475,633 shares in 2002, at an average price of $17.52 per share. Since the announcement on July 22, 2002, the Company's stock price during 2002 has ranged between $14.76 and $18.60. The total trading volume of the Company's common stock for this same period was approximately 5.4 million shares, the Company's repurchase activity during this period was 10% of the total trading volume. Total cash allocated for these repurchases during 2002 was $8.3 million. Under a previous Stock Repurchase Plan announced in October 2001, the Company repurchased 148,700 shares in 2002 at an average price of $16.62.

NONINTEREST INCOME AND EXPENSES NONINTEREST INCOME

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

	YEARS ENDED DECEMBER 31,		
(In thousands)	2002	2001	2000
Service charges on deposit accounts	$13,875	$12,756	$10,193
Broker/dealer and insurance revenue	5,780	4,500	2,723
Trust	3,226	3,958	4,047
Other	9,751	9,245	7,891
Total before net securities losses, gain on sale of branch, net, and gain on sale of building	32,632	30,459	24,854
Net securities (losses)	(413)	(7,692)	(2,273)
Gain on sale of branch, net	220	-	-
Gain on sale of building	-	1,367	-
Total	$32,439	$24,134	$22,581

Noninterest income before securities losses, gain on sale of a branch, and gain on sale of a building increased $2.2 million or 7.1% to $32.6 million for 2002 from $30.5 million for 2001. Broker/dealer and insurance fees increased $1.3 million, primarily driven by one of the Company's financial services providers, which began operations in June 2001, resulting in a full year of revenue totaling $1.6 million in 2002 compared to seven months of revenue in 2001 totaling $0.6 million.

Fees from service charges on deposit accounts increased $1.1 million or 9% for 2002 when compared to 2001, primarily from an increase in core deposits and pricing adjustments. Offsetting these increases was a $0.7 million decrease in trust revenue resulting primarily from declines in assets under management which resulted from stock market declines in 2001 and 2002 and the level of estate activity in 2002 when compared to 2001.

Net securities losses totaled $0.4 million in 2002, down from $7.7 million in 2001. The decrease in net securities losses in 2002 resulted primarily from a decrease in charges taken for the other-than-temporary impairment of certain securities totaling $8.3 million in 2001 as compared to $0.7 million in 2002.

NONINTEREST EXPENSE

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

(In thousands)	YEARS ENDED DECEMBER 31, 2002	2001	2000
Salaries and employee benefits	$ 49,130	$ 48,419	44,802
Occupancy	8,333	8,704	7,761
Equipment	7,066	7,228	7,271
Data processing and communications	10,593	10,690	8,206
Professional fees and outside services	6,589	6,338	5,082
Office supplies and postage	4,446	4,639	3,976
Amortization of intangible assets	774	685	811
Amortization of unidentifiable intangible assets and goodwill	-	3,563	2,238
Capital securities	839	1,278	1,633
Residual value lease losses	-	3,529	664
Loan collection and other real estate owned	3,044	2,117	925
Other	12,689	11,221	12,140
Total noninterest expense before merger charges and certain deposit overdraft write-offs	103,503	108,411	95,509
Merger, acquisition and reorganization costs (recovery)	(130)	15,322	23,625
Certain deposit overdraft write-offs	-	2,125	-
Total noninterest expense	$103,373	$125,858	119,134

Noninterest expense before merger, acquisition, and reorganization costs and certain deposit overdraft writeoffs, decreased $4.9 million to $103.5 million for 2002 from $108.4 million for 2001. Salaries and employee benefits increased $0.7 million to $49.1 million for 2002 from $48.4 million for 2001. The increase in salaries and employee benefits was due primarily to increases in benefits. Incentive compensation increased $1.3 million as a result of increased profitability in 2002 when compared to 2001, and costs related to employee medical insurance coverage and retirement expense increased $0.5 million. Offsetting increases in benefits was a decrease in salary expense of $1.1 million, which resulted from a reduction in the number of full time equivalent employees from acquisitions in 2001 and 2000. Occupancy, equipment, office supplies, postage, and data processing decreased in 2002 when compared to 2001, due mainly to efficiencies realized from acquisitions in 2001 and 2000. Professional fees and outside service costs in 2002 remained relatively consistent with 2001.

For 2003, the Company anticipates a decrease in retirement expense related to its defined benefit plan as well as its post retirement health plan. The anticipated decrease in pension expense is expected to amount to approximately $0.2 million and is a result of a $12 million contribution to the defined benefit plan funded at the end of 2002 and the beginning of 2003. The anticipated decrease in post retirement health expense is expected to amount to $0.3 million and is a result of a plan amendment that increases the amount of cost sharing of health insurance for certain plan participants who had not yet retired in the plan that is effective in 2003.

Amortization of unidentified intangible assets and goodwill decreased $3.5 million, to $0.8 million for 2002 from $4.2 million for 2001. The decrease in amortization of unidentified intangible assets and goodwill resulted from the adoption of SFAS No. 142 and SFAS No. 147 in 2002. Capital securities expense decreased $0.4 million, to $0.8 million for 2002 from $1.3 million for 2001. The decrease in capital securities expense is a result of the Company's guaranteed preferred beneficial interests in Company's junior subordinated debentures, which are tied to a variable interest rate index (3-month LIBOR plus 275 bp) that was much lower for 2002 when compared 2001.

Loan collection and other real estate owned expenses increased $0.9 million, to $3.0 million for 2002 from $2.1 million for 2001. This increase is due primarily to the increase in nonperforming loans during 2001, which

resulted in an increase in collection activity and foreclosure costs during 2002. A charge for the other-than-temporary impairment for lease residual values totaled $3.5 million in 2001 versus no such charge in 2002. Other operating expense increased $1.5 million to $12.7 million in 2002 from $11.2 million in 2001. The increase in other operating expense was due mainly to increases in contributions, insurance expense, and advertising costs.

INCOME TAXES

In 2002, income tax expense was $21.8 million, as compared to $0.5 million in 2001 and $6.5 million in 2000. The Company's effective tax rate was 32.6%, 12.7%, and 31.6% in 2002, 2001, and 2000, respectively. The decrease in the effective tax rate during 2001 is primarily the result of lower net income before tax, which resulted in a greater benefit, on a percentage basis, from permanent non-taxable items such as tax-exempt interest.

2001 OPERATING RESULTS AS COMPARED TO 2000 OPERATING RESULTS

NET INTEREST INCOME

On a tax equivalent basis, the Company's net interest income for 2001 was $141.8 million, up from $131.5 million for 2000. The Company's net interest margin improved to 4.19% for 2001 from 4.02% for 2000. The improvement in net interest income and net interest margin in 2001 were due primarily to two factors. First, earning assets increased from $3.3 billion in 2000 to $3.4 billion in 2001. The increase in average earning assets was due primarily to an increase in average loans and leases, which increased $221.5 million from $2.1 billion in 2000 to $2.3 billion in 2001. Secondly, due to the falling interest rate environment in 2001 and the Company's interest bearing liability sensitive position, rates paid on interest bearing liabilities declined more rapidly than the yield on earning assets. Rates paid on interest bearing liabilities decreased 68 basis points ("bp") to 4.07% in 2001 from 4.75% in 2000 compared to a 42 bp decrease in yield on earnings assets to 7.66% in 2001 from 8.08% in 2000.

LOANS AND LEASES AND CORRESPONDING INTEREST AND FEES ON LOANS

The average balance of loans and leases increased 9.5%, from $2.1 billion in 2000 to $2.3 billion in 2001. The yield on average loans and leases decreased from 8.71% in 2000 to 8.13% in 2001, as a falling interest rate environment prevailed for much of 2001. Interest income from loans and leases increased 3.2%, from $182.3 million in 2000 to $188.1 million in 2001. The increase in interest income from loans and leases was due to the increase in the average balance of loans and leases of 9.5%, offset by a decrease in yield on loans and leases in 2001 of 58 bp when compared to 2000.

Total loans and leases were $2.3 billion at December 31, 2001, up from $2.2 billion at December 31, 2000. The increase in loans and leases was primarily in consumer and commercial loan types, as management continued to focus on growth in these areas. Consumer loans increased in 2001, from $357.8 million at December 31, 2000 to $387.1 million at December 31, 2001, an increase of $29.3 million or 8.2%. Residential real estate mortgages increased $20.8 million or 4.1% to $525.4 million at December 31, 2001. Home equity loans increased $13.3 million or 6.0% to $232.6 million at December 31, 2001. During 2001, commercial and agricultural loans and real estate increased $9.6 million and $11.2 million, respectively.

SECURITIES AND CORRESPONDING INTEREST AND DIVIDEND INCOME

The average balance of securities available for sale was $933.1 million, which is a decrease of $84.6 million, or 8.3%, from $1.0 billion in 2000. The decrease is primarily a result of proceeds from sales, maturities and paydowns of securities available for sale used to fund loan growth. The yield on average securities available for sale was 6.63% in 2001 compared to 6.97% in 2000. The decrease in the average balance of securities available for sale, coupled with the decrease in yield, resulted in a decrease in interest income on securities available for sale of $9.0 million, from $70.9 million in 2000 to $61.9 million in 2001. The average balance of securities held to maturity was $99.8 million during 2001, which is a decrease of $17.7 million, from $117.5 million in 2000. As noted above, the decrease is primarily a result of proceeds from maturities and pay-downs of securities held to maturity used to fund loan growth. The yield on securities held to maturity was 6.65% in 2001 compared to 6.88% in 2000. Interest income on securities held to maturity decreased $1.5 million, from $8.1 million in 2000 to $6.6 million during 2001.

FUNDING SOURCES AND CORRESPONDING INTEREST EXPENSE DEPOSITS

Average interest bearing deposits increased $146.5 million, or 6.2%, during 2001, to $2.5 billion. The increase is due primarily to the full year effect in 2001 on average interest bearing deposits related to branch acquisitions in June and November of 2000 as well as the FNB acquisition in June 2001. The Company assumed $133.7 million in deposit liabilities in conjunction with those branch acquisitions. Additionally, the Company completed the acquisition of First National Bancorp, Inc. in June of 2001 and assumed approximately $94 million in interest bearing liabilities. The Company's core deposit mix improved in 2001. The average balance of NOW, MMDA, and savings comprised 41.1% of average interest bearing deposits in 2001 compared to 39.9% in 2000. The average balance of demand deposits increased $34.1 million, or 9.8%, from $348.4 million in 2000 to $382.5 million in 2001. The ratio of average demand deposits to total average deposits increased from 10.6% in 2000 to 11.3% in 2001.

The improvement in the Company's deposit mix noted above, combined with the falling interest rate environment prevalent in 2001, resulted in a decrease in the rate paid on interest bearing liabilities of 61 bp, from 4.54% in 2000 to 3.93% in 2001. The average rate paid on MMDAs, which are very sensitive to changes in interest rates, declined 127 bp from 4.04% in 2000 to 2.77% in 2001. The rate paid on average time deposits decreased 50 bp, from 5.72% in 2000 to 5.22% in 2001. The decrease in the rate paid on average time deposits, combined with the reduction in average time deposits, resulted in a $5.3 million decrease in interest expense paid on time deposits, from $82.4 million in 2000 to $77.1 million in 2001.

BORROWINGS

Average short-term borrowings decreased from $194.9 million in 2000 to $123.2 million in 2001. Consistent with the decreasing interest rate environment during 2001, the average rate paid also decreased from 6.13% in 2000 to 4.36% in 2001. The decrease in the average balance combined with the decrease in the average rate paid caused interest expense on short-term borrowings to decrease $6.5 million, from $11.9 million in 2000 to $5.4 million in 2001. Average long-term debt increased $14.2 million, from $245.4 million in 2000 to $259.6 million in 2001. The increase in long-term debt combined with a decrease in short-term borrowings was a result of limiting the Company's liability sensitive position to rising interest rates.

NONINTEREST INCOME

Total noninterest income excluding net securities losses and a gain on sale of a building increased to $30.5 million in 2001, compared to $24.9 million in 2000 and $21.3 million in 1999. Broker/dealer fees and insurance revenue increased $1.8 million in 2001 over 2000. The increase reflects twelve full months of revenue from the Company's broker/dealer, M. Griffith, Inc., which was acquired in May 2000. Revenues from M. Griffith, Inc. totaled $3.8 million in 2001, compared to $2.7 million in 2000. Additionally, the Company's insurance agency and financial services provider, CFS, which started operating in June 2001, contributed to the increase in revenue as well. Revenues for CFS, Inc. for 2001 totaled $0.6 million.

Income from trust services decreased $0.1 million in 2001 when compared to 2000. The decrease is primarily attributable to a decrease in the market value of the assets held by the Company in a fiduciary capacity. The decrease in the market value of assets held by the Company in a fiduciary capacity resulted from the decline in all the major stock indexes during 2001. Other income increased $1.4 million in 2001 when compared to 2000. The increase in other income resulted primarily from increases in ATM fees and other banking fees. Total ATM fees and other banking fees amounted to $4.4 million and $1.6 million, respectively, for 2001 compared to $3.8 million and $0.6 million, respectively, for 2000. The increase in ATM fees resulted from the combination of an increase in ATMs deployed and increases in ATM convenience fees. The increase in banking fees resulted primarily from the continued focus in business banking activities.

Net securities losses totaled $7.7 million in 2001 compared to $2.3 million in 2000. The increase in net securities losses in 2001 resulted primarily from charges totaling $8.3 million taken for the other-than-temporary impairment of certain securities compared to $3.5 million in 2000. The Company sold a branch building in 2001which resulted in a gain of $1.4 million.

NONINTEREST EXPENSE

For 2001, noninterest expense excluding merger charges and certain deposit overdraft writeoffs increased $12.9 million, or 13.5%, to $108.4 million compared to $95.5 million in 2000. This increase was due to several factors. Expenses for data processing and communications and professional fees and outside services increased period-over-period by $3.7 million or 28.1%, principally due to the Company's expanded branch network, costs associated with enhanced technologies and expanded data

processing volume capacities resulting from recent data processing conversions.

Salaries and employee benefits expense increased $3.6 million, or 8.1%, to $48.4 million compared to $44.8 million in 2000. Occupancy expense increased $943,000, or 12.2%, to $8.7 million compared to $7.8 million in 2000. The increases in salaries and employee benefits expense and occupancy expense resulted primarily from twelve full months of expenses in 2001 from eight branches and the Company's broker/dealer, M. Griffith, Inc., all of which were acquired during 2000, and an increase in expense resulting from the acquisition of FNB Bancorp, Inc. on June 1, 2001.

Office supplies and postage increased from $4.0 million in 2000 to $4.6 million in 2001. The increase resulted primarily from the growth of the Company's branch network during 2000 and 2001. Capitals securities expense decreased from $1.6 million in 2000 to $1.3 million in 2001. The decrease resulted from a decrease during 2001 in the index the capital securities interest rate is tied to.

Residual value lease losses increased from $0.6 million in 2000 to $3.5 million in 2001. The increase was due to the charge taken for the other-than-temporary impairment of residual values of leased automobiles in 2001. There was an increase in expenses relating to the amortization of intangible assets from certain recently completed acquisitions. Amortization expenses increased $1.2 million for 2001 as compared to 2000.

Merger, acquisition and reorganization costs amounted to $15.3 million in 2001 compared to $23.6 million in 2000. The Company completed one merger and one acquisition in 2001 and completed two mergers, one acquisition, and purchased 8 branches in 2000. Additionally, in 2000, the Company cancelled one proposed merger. During 2001, the Company recognized $2.1 million in deposit overdraft write-offs related to two large check-kiting incidents.

IMPACT OF INFLATION AND CHANGING PRICES

The Company's consolidated financial statements are prepared in accordance with generally accepted accounting principles which require the measurement of financial position and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increasing cost of the Company's operations. Unlike most industrial companies, nearly all assets and liabilities of the Company are monetary. As a result, interest rates have a greater impact on the Company's performance than do the effects of general levels of inflation. In addition, interest rates do not necessarily move in the direction of, or to the same extent as the price of goods and services.

IMPACT OF NEW ACCOUNTING STANDARDS

NEW ACCOUNTING PRONOUNCEMENT-ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company adopted the provisions of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," effective January 1, 2001. At that time, the Company had certain embedded derivative instruments from the recently acquired CNB Bank related to a deposit product and two debt securities that had costs and returns linked to the performance of the NASDAQ 100 Index. Management determined that these debt securities and the deposit product did not qualify for hedge accounting under SFAS No. 133. The embedded derivatives were separated from the underlying host instruments for financial reporting purposes and accounted for at fair value. In connection with the adoption of SFAS No. 133 as of January 1, 2001, the Company recorded a charge to earnings for a transition adjustment of $159,000 ($95,000, after-tax) for the net impact of recording these embedded derivatives on the consolidated balance sheet at fair value. Due to the insignificance of the amount, the transition adjustment was not reflected as a cumulative effect of a change in accounting principle on the 2001 consolidated statement of income , but was instead recorded in net securities (losses) gains. During the year ended December 31, 2001, and before the closing of the CNB merger, the Company recorded a $640,000 net loss related to the adjustment of the embedded derivatives to fair value. As of December 31, 2001, the embedded derivatives referred to above were completely written off as these derivatives had no value. During the first quarter of 2002, the two debt securities with embedded derivative instruments noted above were sold at approximately their carrying value, as the securities did not meet the risk profile of the Company's security portfolio.

At December 31, 2002, the Company has no other derivatives as currently defined by SFAS No. 133.

NEW ACCOUNTING PRONOUNCEMENT-ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS

On August 16, 2001, the FASB issued SFAS No. 143 "Accounting for Asset Retirement Obligations." Statement 143 addresses financial accounting and reporting for obligations associated with retirement of tangible long-lived assets and the associated asset retirement costs. Statement 143 applies to all entities. This Statement

requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. Under this Statement, the liability is discounted and the accretion expense is recognized using the credit-adjusted risk-free interest rate in effect when the liability was initially recognized. The FASB issued this Statement to provide consistency for the accounting and reporting of liabilities associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. Earlier application is permitted. The Company does not expect a material impact on its consolidated financial statements when this Statement is adopted.

NEW ACCOUNTING PRONOUNCEMENT-ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS

On October 3, 2001, The FASB issued SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets." This Statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This Statement supersedes SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." This Statement also supersedes the accounting and reporting provisions of APB Opinion No. 30 "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." The changes in this Statement improve financial reporting by requiring that one accounting model be used for long-lived assets to be disposed of by broadening the presentation of discontinued operations to include more disposal transactions. The Company's core deposit intangible asset will be measured for impairment under SFAS No. 144. This Statement is effective for financial statements issued for fiscal years beginning after December 15, 2001. The Company adopted the provisions of SFAS No. 144 effective January 1, 2002, and the adoption did not have a material impact on its consolidated financial statements.

NEW ACCOUNTING PRONOUNCEMENT-RESCISSION OF FASB STATEMENTS NO. 4, 44 AND 64

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt," which required gains and losses from extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of related income tax effect. Upon adoption of SFAS No. 145, companies will be required to apply the criteria in Accounting Principles Board, or APB, Opinion No. 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" in determining the classification of gains and losses resulting from the extinguishment of debt. Upon adoption, companies must reclassify prior period items that do not meet the extraordinary item classification criteria in APB Opinion No. 30. Additionally, SFAS No. 145 amends SFAS No. 13, "Accounting for Leases," to require that certain lease modifications that have economic effects similar to sale-leaseback transactions be accounted for in the same manner as sale-leaseback transactions. The provisions of SFAS No. 145 related to the rescission of SFAS No. 4 are effective for fiscal years beginning after May 15, 2002. All other provisions of SFAS No. 145 are effective for transactions occurring and/or financial statements issued on or after May 15, 2002. The implementation of SFAS No. 145 provisions, which were effective May 15, 2002, did not have a material impact on our consolidated financial condition or results of operations. The implementation of the remaining provisions is not expected to have a material impact on our consolidated financial condition or results of operations.

NEW ACCOUNTING PRONOUNCEMENT-ACCOUNTING FOR COSTS ASSOCIATED WITH EXIT OR DISPOSAL ACTIVITIES

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." This Statement is effective for exit or disposal activities initiated after December 31, 2002. The Company will review the impact of applying this standard to any exit or disposal activities initiated after December 31, 2002.

NEW ACCOUNTING PRONOUNCEMENT-ACCOUNTING FOR BUSINESS COMBINATIONS, GOODWILL AND OTHER INTANGIBLES, AND CERTAIN ACQUISITION OF BANKING OR THRIFT INSTITUTIONS

In July 2001, the FASB issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other

Intangible Assets." SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, as well as all purchase method business combinations completed after June 30, 2001. SFAS No. 141 also specifies criteria that intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill. SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142. SFAS No. 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 144.

The Company adopted the provisions of SFAS No. 141 effective July 1, 2001, and adopted the provisions of SFAS No. 142 effective January 1, 2002. SFAS No. 141 requires that upon adoption of SFAS No. 142, that the Company evaluate its existing intangible assets and goodwill that were acquired in a prior purchase business combination, and to make any necessary reclassifications in order to conform with the new criteria in SFAS No. 141 for recognition apart from goodwill. Upon adoption of SFAS No. 142, the Company was required to reassess the useful lives and residual values of all intangible assets acquired in purchase business combinations, and make any necessary amortization period adjustments by the end of the first interim period after adoption. In addition, to the extent an intangible asset was identified as having an indefinite useful life, the Company is required to test the intangible asset for impairment in accordance with the provisions of Statement 142 within the first interim period. Goodwill is required to be tested for impairment, by the end of 2002, with impairment adjustments, if any, recorded as of the beginning of 2002.

During the first quarter of 2002, upon the implementation of SFAS No. 142, the Company performed a reevaluation of the remaining useful lives of all previously recognized intangible assets and found no adjustment necessary. The Company has completed its transitional goodwill impairment evaluation and has concluded there is no impairment losses from the adoption of SFAS No. 142. The Company has not identified any intangible assets with indefinite useful lives.

The unidentified intangible assets acquired in the acquisition of a bank or thrift (including acquisitions of branches meeting certain conditions), where the fair value of the liabilities assumed exceeds the fair value of the assets acquired, was amortized to expense under SFAS No. 72, "Accounting for Certain Acquisitions of Banking or Thrift Institutions." In October 2002, SFAS No. 147, "Acquisitions of Certain Financial Institutions," was issued. This Statement amends SFAS No. 72 and 144 and FIN No. 9. Except for transactions between two or more mutual enterprises, this Statement removes acquisitions of financial institutions from the scope of both SFAS No. 72 and FIN No. 9 and requires that those transactions be accounted for in accordance with SFAS No. 141, "Business Combinations," and No. 142, "Goodwill and Other Intangible Assets." Accordingly, unidentified intangibles related to certain branch acquisitions are no longer amortized, but are subject to impairment testing under SFAS No. 142. In addition, this Statement amends SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," to include in its scope long-term customer-relationship intangible assets of financial institutions such as depositor-and borrower-relationship intangible assets and credit cardholder intangible assets. Consequently, those intangible assets are subject to the same undiscounted cash flow recoverability test and impairment loss recognition and measurement provisions that SFAS No. 144 requires for other long-lived assets that are held and used. SFAS No. 147 is effective October 1, 2002, with the application of its provisions applied retroactively to January 1, 2002.

Upon the adoption of SFAS No.142 on January 1, 2002, the Company ceased amortizing its goodwill. Upon the adoption of SFAS No. 147 on October 1, 2002, approximately $30.6 million of unidentified intangible assets were reclassified to goodwill retroactive to January 1, 2002. The adoption of SFAS No. 142 and SFAS No. 147 decreased noninterest expense and increased net income in 2002 as compared to 2001 and 2000. The following table shows the pro forma effects of applying SFAS No. 142 and SFAS No. 147 to the 2001 and 2000 periods, and a summary of goodwill by operating subsidiaries follows:

(In thousands, except per share amounts)	YEARS ENDED DECEMBER 31, 2001	2000
GOODWILL AND UNIDENTIFIED INTANGIBLE ASSET AMORTIZATION		
Pretax	$ 3,563	$ 2,238
After-tax	2,426	1,553
NET INCOME		
Reported	3,737	14,154
Add back: after-tax amortization	2,426	1,553
Adjusted	6,163	15,707
BASIC EARNINGS PER SHARE (EPS)		
Reported	$ 0.11	$ 0.44
Add back: after-tax amortization per share	0.07	0.05
Adjusted	$ 0.19	$ 0.49
DILUTED EPS		
Reported	$ 0.11	$ 0.44
Add back: after-tax amortization per share	0.07	0.05
Adjusted	$ 0.19	$ 0.48

(In thousands)	JANUARY 1, 2002	GOODWILL DISPOSED	IMPAIRMENT LOSS	DECEMBER 31, 2002
NBT Bank, N.A.	$ 44,667	$ (1,547)	$ -	$ 43,120
NBT Financial Services, Inc.	3,001	-	-	3,001
Total	$ 47,668	$ (1,547)	$ -	$ 46,121

In connection with the sale of a branch during 2002, $1.5 million in goodwill were included in the carrying amount of the branch in determining the gain on disposal.

The Company has finite-lived intangible assets capitalized on its balance sheet in the form of core deposit and other intangible assets. These intangible assets continue to be amortized over their estimated useful lives in accordance with SFAS No. 142, which range from one to twenty-five years. There were no adjustments to the useful lives of these intangible assets as a result of the adoption of SFAS No. 142.

A summary of core deposit and other intangible assets follows:

(In thousands)	DECEMBER 31, 2002	2001
CORE DEPOSIT INTANGIBLES		
Gross carrying amount	$5,433	$ 5,433
Less: accumulated amortization	3,931	3,282
Net carrying amount	1,502	2,151
UNIDENTIFIED INTANGIBLE ASSETS		
Gross carrying amount	1,031	36,921
Less: accumulated amortization	287	4,729
Net carrying amount	744	32,192
TOTAL INTANGIBLES WITH DEFINITE USEFUL LIVES		
Gross carrying amount	6,464	42,354
Less: accumulated amortization	4,218	8,011
Net carrying amount	$2,246	$34,343

Amortization expense on finite-lived intangible assets totaled $0.8 million for each of 2002, 2001, and 2000, respectively. Amortization expense on finite-lived intangible assets is expected to total $0.6 million for 2003 and $0.3 million for each of 2004, 2005, 2006 and 2007.

NEW ACCOUNTING PRONOUNCEMENT-ACCOUNTING FOR STOCK BASED COMPENSATION

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure," which provides guidance on how to transition from the intrinsic value method of accounting for stock-based employee compensation under APB No. 25 to SFAS No. 123's fair value method of accounting, if a company so elects. The Company currently intends to continue to account for stock-based employee compensation under APB No. 25 in 2003.

NEW ACCOUNTING PRONOUNCEMENT-ACCOUNTING FOR GUARANTEES

In November 2002, the FASB issued (FIN No. 45), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." This interpretation expands the disclosures to be made by a guarantor in its financial statements about its obligations under certain guarantees and requires the guarantor to recognize a liability for the fair value of an obligation assumed under a guarantee. FIN No. 45 clarifies the requirements of SFAS No. 5, "Accounting for Contingencies," relating to guarantees. In general, FIN No. 45 applies to contracts or indemnification agreements that contingently require the guarantor to make payments to the guaranteed party based on changes in an underlying that is related to an asset, liability, or equity security of the guaranteed party. Certain guarantee contracts are excluded from both the disclosure and recognition requirements of this interpretation, including, among others, guarantees relating to employee compensation, residual value guarantees under capital lease arrangements, commercial letters of credit, loan commitments, subordinated interests in a special purpose entity, and guarantees of a company's own future performance. Other guarantees are subject to the disclosure requirements of FIN No. 45 but not to the recognition provisions and include, among others, a guarantee accounted for as a derivative instrument under SFAS No. 133, a parent's guarantee of debt owed to a third party by its subsidiary or vice versa, and a guarantee which is based on performance not price. The disclosure requirements of FIN No. 45 are effective for the Company as of December 31, 2002, and require disclosure of the nature of the guarantee, the maximum potential amount of future payments that the guarantor could be required to make under the guarantee, and the current amount of the liability, if any, for the guarantor's obligations under the guarantee. The recognition requirements of FIN 45 are to be applied prospectively to guarantees issued or modified after December 31, 2002. The Company does not expect the requirements of FIN No. 45 to have a material impact on results of the Company's consolidated operations, financial position, or liquidity.

NEW ACCOUNTING PRONOUNCEMENT-CONSOLIDATION OF VARIABLE INTEREST ENTITIES

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities." The objective of this interpretation is to provide guidance on how to identify a variable interest entity (VIE) and determine when the assets, liabilities, noncontrolling interests, and results of operations of a VIE need to be included in a company's consolidated financial statements. A company that holds variable interests in an entity will need to consolidate the entity if the company's interest in the VIE is such that the company will absorb a majority of the VIE's expected losses and/or receive a majority of the entity's expected residual returns, if they occur. FIN No. 46 also requires additional disclosures by primary beneficiaries and other significant variable interest holders. The provisions of this interpretation became effective upon issuance. The requirements of FIN No. 46 will not have a material impact on the Company's consolidated results of operations, financial position, or liquidity.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

MARKET RISK

Interest rate risk is the most significant market risk affecting the Company. Other types of market risk, such as foreign currency exchange rate risk and commodity price risk, do not arise in the normal course of the Company's business activities.

Interest rate risk is defined as an exposure to a movement in interest rates that could have an adverse effect on the Company's net interest income. Net interest income is susceptible to interest rate risk to the degree that interestbearing liabilities mature or reprice on a different basis than earning assets. When interest-bearing liabilities mature or reprice more quickly than earning assets in a given period, a significant increase in market rates of interest could adversely affect net interest income. Similarly, when earning assets mature or reprice more quickly than interest-bearing liabilities, falling interest rates could result in a decrease in net interest income.

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

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

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

The model is first run under an assumption of a flat rate scenario (i.e. no change in current interest rates) with a static balance sheet over a 12-month period. Three additional models are run in which a gradual increase of 200 bp, a gradual increase of 200 bp where the long end of the yield curve remains flat (the long end of the yield curve is defined as 5 years and longer) and a gradual decrease of 100 bp takes place over a 12 month period with a static balance sheet. Under these scenarios, assets subject to prepayments are adjusted to account for faster or slower prepayment assumptions. Any investment securities or borrowings that have callable options embedded into them are handled accordingly based on the interest rate scenario. The resultant changes in net interest income are then measured against the flat rate scenario.

In the declining rate scenarios, net interest income is projected to decrease slightly when compared to the forecasted net interest income in the flat rate scenario through the simulation period. The decrease in net interest income is a result of interest-bearing liabilities repricing downward at a slower rate than earning assets. The inability to effectively lower deposit rates will likely reduce or eliminate the benefit of lower interest rates. In the rising rate scenarios, net interest income is also projected to experience a decline from the flat rate scenario. Net interest income is projected to remain at lower levels than in a flat rate scenario through the simulation period primarily due to a lag in assets repricing while funding costs increase. The potential impact on earnings is dependent on the ability to lag deposit repricing.

Net interest income for the next twelve months in the +200/+ 200 flat/100 bp scenarios, as described above, is within the internal policy risk limits of not more than a 7.5% change in net interest income. The following table summarizes the percentage change in net interest income in the rising and declining rate scenarios over a 12-month period from the forecasted net interest income in the flat rate scenario using the December 31, 2002 balance sheet position:

TABLE 10. INTEREST RATE SENSITIVITY ANALYSIS

CHANGE IN INTEREST RATES (In basis points)	PERCENT CHANGE IN NET INTEREST INCOME
+ 200 Flat	(0.97%)
+ 200	(0.08%)
- - 100	(0.53%)

Under the flat rate scenario with a static balance sheet, net interest income is anticipated to decrease approximately 3.0% from total net interest income for 2002. The Company anticipates under current conditions, earning assets will continue to reprice at a faster rate than interest bearing liabilities. In order to protect net interest income from anticipated net interest margin compression, the Company will continue to focus on increasing low cost core funding as well as growing earning assets through loan growth and leverage opportunities. However, if the Company cannot increase low cost core funding and earning assets, the Company expects net interest income to decline in 2003.

Currently, the Company is holding fixed rate residential real estate mortgages in its loan portfolio. One of the major factors the Company considers in holding residential real estate mortgages is its level of core deposits. Current core deposit levels have enabled the Company to hold fixed rate residential real estate mortgages without having a negative impact on interest rate risk, as the Company is well matched at December 31, 2002. The Company's net interest income is projected to decrease by only 0.08% if interest rates rise 200 basis points. The Company closely monitors its matching of earning assets to funding sources. If core deposit levels decrease or the rate of growth in core deposit levels does not equal or exceed the rate in growth of fixed rate residential real estate mortgages, the Company will reevaluate its strategy and may sell new originations of fixed rate mortgages in the secondary market in order to limit the Company's exposure to long-term earning assets.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

MANAGEMENT'S STATEMENT OF RESPONSIBILITY

Responsibility for the integrity, objectivity, consistency, and fair presentation of the financial information presented in this Annual Report rests with NBT Bancorp Inc. management. The accompanying consolidated financial statements and related information have been prepared in conformity with accounting principles generally accepted in the United States of America consistently applied and include, where required, amounts based on informed judgments and management's best estimates.

Management maintains a system of internal controls and accounting policies and procedures to provide reasonable assurance of the accountability and safeguarding of Company assets and of the accuracy of financial information. These procedures include management evaluations of asset quality and the impact of economic events, organizational arrangements that provide an appropriate segregation of responsibilities and a program of internal audits to evaluate independently the adequacy and application of financial and operating controls and compliance with Company policies and procedures.

The Board of Directors has appointed a Risk Management Committee composed entirely of directors who are not employees of the Company. The Risk Management Committee is responsible for recommending to the Board the independent auditors to be retained for the coming year. The Risk Management Committee meets periodically, both jointly and privately, with the independent auditors, with our internal auditors, as well as with representatives of management, to review accounting, auditing, internal control structure and financial reporting matters. The Risk Management Committee reports to the Board on its activities and findings.

/S/ Daryl R. Forsythe	/S/ Michael J. Chewens
Daryl R. Forsythe President, Chief Executive Officer	Michael J. Chewens Senior Executive Vice President Chief Financial Officer and Corporate Secretary

This page left blank intentionally

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
NBT Bancorp Inc.:

We have audited the accompanying consolidated balance sheets of NBT Bancorp Inc. and subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of income, changes in stockholders' equity, cash flows, and comprehensive income for each of the years in the three-year period ended December 31, 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NBT Bancorp Inc. and subsidiaries as of December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," as of January 1, 2002, and as a result ceased amortizing goodwill. Also as discussed in Note 1 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 147, "Accounting for Certain Acquisitions of Banking or Thrift Institutions," as of October 1, 2002, and as a result reclassified certain unidentified intangible assets to goodwill retroactive to January 1, 2002.

KPMG LLP
Albany, New York
January 27, 2003

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)	DECEMBER 31, 2002	2001
ASSETS		
Cash and due from banks	$ 121,824	$ 123,201
Short-term interest bearing accounts	2,799	6,756
Trading securities, at fair value	203	126
Securities available for sale, at fair value	1,007,583	909,341
Securities held to maturity (fair value $84,517 and $101,495)	82,514	101,604
Federal Reserve and Federal Home Loan Bank stock	23,699	21,784
Loans and leases	2,355,932	2,339,636
Less allowance for loan and lease losses	40,167	44,746
Net loans and leases	2,315,765	2,294,890
Premises and equipment, net	61,261	62,685
Goodwill	46,121	16,345
Intangible assets, net	2,246	34,343
Other assets	59,711	67,127
Total assets	$3,723,726	$3,638,202
LIABILITIES, GUARANTEED PREFERRED BENEFICIAL INTERESTS IN COMPANY'S JUNIOR SUBORDINATE DEBENTURES, AND STOCKHOLDERS' EQUITY		
Deposits		
Demand (noninterest bearing)	$ 449,201	$ 431,407
Savings, NOW, and money market	1,183,603	1,097,156
Time	1,289,236	1,387,049
Total deposits	2,922,040	2,915,612
Short-term borrowings	105,601	122,013
Long-term debt	345,475	272,331
Other liabilities	41,228	44,891
Total liabilities	3,414,344	3,354,847
Guaranteed preferred beneficial interests in Company's junior subordinate debentures (capital securities)	17,000	17,000
STOCKHOLDERS' EQUITY		
Preferred stock, $0.01 par at December 31, 2002 and 2001. Authorized 2,500,000 shares		
Common stock, $0.01 par value. Authorized 50,000,000 shares at December 31, 2002 and 2001; issued 34,401,171 and 34,252,661 at December 31, 2002 and 2001 respectively	344	343
Additional paid-in-capital	210,443	209,176
Unvested restricted stock	(127)	-
Retained earnings	95,085	72,531
Accumulated other comprehensive income	16,531	3,921
Common stock in treasury, at cost, 1,751,724 and 1,147,848 shares	(29,894)	(19,616)
Total stockholders' equity	292,382	266,355
Total liabilities, guaranteed preferred beneficial interests in Company's junior subordinate debentures, and stockholders' equity	$3,723,726	$3,638,202

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)	DECEMBER 31, 2002	2001	2000
INTEREST, FEE, AND DIVIDEND INCOME			
Interest and fees on loans and leases	$167,185	$187,188	$181,699
Securities available for sale	54,404	60,241	69,346
Securities held to maturity	4,260	5,232	6,137
Trading securities	8	649	8
Other	1,365	2,124	3,191
Total interest, fee, and dividend income	227,222	255,434	260,381
INTEREST EXPENSE			
Deposits	63,332	98,522	107,293
Short-term borrowings	1,334	5,365	11,940
Long-term debt	15,736	13,615	13,770
Total interest expense	80,402	117,502	133,003
Net interest income	146,820	137,932	127,378
Provision for loan losses	9,073	31,929	10,143
Net interest income after provision for loan losses	137,747	106,003	117,235
NONINTEREST INCOME			
Service charges on deposit accounts	13,875	12,756	10,193
Broker/dealer and insurance revenue	5,780	4,500	2,723
Trust	3,226	3,958	4,047
Net securities losses	(413)	(7,692)	(2,273)
Gain on sale of branch, net	220	-	-
Gain on sale of branch building	-	1,367	-
Other	9,751	9,245	7,891
Total noninterest income	32,439	24,134	22,581
NONINTEREST EXPENSE			
Salaries and employee benefits	49,130	48,419	44,802
Occupancy	8,333	8,704	7,761
Equipment	7,066	7,228	7,271
Data processing and communications	10,593	10,690	8,206
Professional fees and outside services	6,589	6,338	5,082
Office supplies and postage	4,446	4,639	3,976
Amortization of unidentified intangible assets and goodwill	-	3,563	2,238
Amortization of intangible assets	774	685	811
Merger, acquisition and reorganization costs (recovery)	(130)	15,322	23,625
Writedowns of lease residual values	-	3,529	664
Deposit overdraft write-offs	-	2,125	-
Capital securities	839	1,278	1,633
Loan collection and other real estate owned	3,044	2,117	925
Other	12,689	11,221	12,140
Total noninterest expense	103,373	125,858	119,134
Income before income tax expense	66,813	4,279	20,682
Income tax expense	21,814	542	6,528
Net income	$ 44,999	$ 3,737	$ 14,154
EARNINGS PER SHARE			
Basic	$ 1.36	$ 0.11	$ 0.44
Diluted	1.35	0.11	0.44

Note: All per share data has been restated to give retroactive effect to pooling-of-interests.
See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2002, 2001, AND 2000 (In thousands except share and per share data)	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	UNVESTED RESTRICTED STOCK	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE (LOSS)/INCOME	COMMON STOCK IN TREASURY
Balance at December 31, 1999	$ 32,831	$ 158,500	$ -	$ 93,214	$ (26,757)	$ (12,960)
Net income	-	-	-	14,154	-	-
Cash dividends-$0.68 per share	-	-	-	(18,424)	-	-
Payment in lieu of fractional shares	-	-	-	(23)	-	-
Purchase of 139,393 treasury shares	-	-	-	-	-	(1,680)
Issuance of 56,606 shares to employee benefit plans and other stock plans, including tax benefit	7	582	-	-	-	578
Change of $1.00 stated value per share to $0.01 par value per share	(32,509)	32,509	-	-	-	-
Issuance of 420,989 shares to purchase M. Griffith, Inc.	4	4,792	-	-	-	-
Retirement of 75,763 shares of treasury stock of pooled Company	(1)	(961)	-	-	-	962
Other comprehensive income	-	-	-	-	24,823	-
Balance at December 31, 2000	332	195,422	-	88,921	(1,934)	(13,100)
Net income	-	-	-	3,737	-	-
Cash dividends-$0.68 per share	-	-	-	(20,123)	-	-
Issuance of 1,075,366 shares to purchase First National Bancorp, Inc.	11	15,991	-	-	-	-
Payment in lieu of fractional shares	-	-	-	(4)	-	-
Purchase of 727,037 treasury shares	-	-	-	-	-	(11,126)
Issuance of 223,515 shares to employee benefit plans and other stock plans, including tax benefit	1	(1,529)	-	-	-	3,901
Retirement of 63,034 shares of treasury stock of pooled company	(1)	(708)	-	-	-	709
Other comprehensive income	-	-		-	5,855	-
Balance at December 31, 2001	343	209,176	-	72,531	3,921	(19,616)
Net income	-	-	-	44,999	-	-
Cash dividends-$0.68 per share	-	-	-	(22,445)	-	-
Purchase of 624,333 treasury shares	-	-	-	-	-	(10,803)
Issuance of 25,298 shares to the employee stock purchase plan	-	315	-	-	-	-
Issuance of 53,460 shares for the exercise of incentive stock options	-	550	-	-	-	-
Issuance of 69,752 shares in exchange for 40,687 treasury shares for the exercise of incentive stock options	1	580	-	-	-	(581)
Issuance of 47,296 shares for the exercise of incentive and nonqualified stock options, including tax benefit	-	(150)	-	-	-	868
Grant of 14,648 shares of restricted stock awards	-	(28)	(222)	-	-	250
Cancellation of 800 restricted stock awards	-	-	12	-	-	(12)
Amortization of restricted stock awards	-	-	83	-	-	-
Other comprehensive income	-	-	-	-	12,610	-
Balance at December 31, 2002	$ 344	$ 210,443	$ (127)	$ 95,085	$ 16,531	$ (29,894)

YEARS ENDED DECEMBER 31, 2002, 2001, AND 2000 (In thousands except share and per share data)	TOTAL
Balance at December 31, 1999	$244,828
Net income	14,154
Cash dividends-$0.68 per share	(18,424)
Payment in lieu of fractional shares	(23)
Purchase of 139,393 treasury shares	(1,680)
Issuance of 56,606 shares to employee benefit plans and other stock plans, including tax benefit	1,167
Change of $1.00 stated value per share to $0.01 par value per share	-
Issuance of 420,989 shares to purchase M. Griffith, Inc.	4,796
Retirement of 75,763 shares of treasury stock of pooled Company	-
Other comprehensive income	24,823
Balance at December 31, 2000	269,641
Net income	3,737
Cash dividends-$0.68 per share	(20,123)

Issuance of 1,075,366 shares to purchase First National Bancorp, Inc.	16,002
Payment in lieu of fractional shares	(4)
Purchase of 727,037 treasury shares	(11,126)
Issuance of 223,515 shares to employee benefit plans and other stock plans, including tax benefit	2,373
Retirement of 63,034 shares of treasury stock of pooled company	-
Other comprehensive income	5,855
Balance at December 31, 2001	266,355
Net income	44,999
Cash dividends-$0.68 per share	(22,445)
Purchase of 624,333 treasury shares	(10,803)
Issuance of 25,298 shares to the employee stock purchase plan	315
Issuance of 53,460 shares for the exercise of incentive stock options	550
Issuance of 69,752 shares in exchange for 40,687 treasury shares for the exercise of incentive stock options	-
Issuance of 47,296 shares for the exercise of incentive and nonqualified stock options, including tax benefit	718
Grant of 14,648 shares of restricted stock awards	-
Cancellation of 800 restricted stock awards	-
Amortization of restricted stock awards	83
Other comprehensive income	12,610
Balance at December 31, 2002	$ 292,382

Note: Cash dividends per share represent the historical cash dividends per share of NBT Bancorp Inc. All other share and per share data is adjusted to give retroactive effect to pooling-of-interests.
See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands, except per share data)	YEARS ENDED DECEMBER 31, 2002	2001	2000
OPERATING ACTIVITIES			
Net income	$ 44,999	$ 3,737	$ 14,154
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Provision for loan losses	9,073	31,929	10,143
Depreciation of premises and equipment	6,573	6,197	6,646
Net amortization (accretion on) securities	210	(5,369)	(678)
Amortization of goodwill and intangible assets	774	4,248	3,049
Amortization of restricted stock	83	-	-
Deferred income tax expense (benefit)	8,655	(6,333)	(2,194)
Proceeds from sale of loans held for sale	6,676	16,570	25,425
Originations and purchases of loans held for sale	(6,824)	(14,360)	(20,950)
Purchase of trading securities	(65)	(6,194)	(5,250)
Proceeds from sales of trading securities	-	29,844	5,261
Net loss on disposal of premises and equipment	-	164	-
Net losses (gains) on sales of loans held for sale	105	(27)	(172)
Net security losses	413	7,692	2,273
Net (gain) loss on sales of other real estate owned	(80)	(17)	28
Writedowns on other real estate owned	-	253	235
Gain on sale of branch building	-	(1,367)	-
Gain on sale of branch, net	(220)	-	-
Tax benefit from exercise of stock options	199	327	660
Net decrease (increase) in other assets	1,273	(5,471)	(1,725)
Net (decrease) increase in other liabilities	(10,980)	(8,579)	24,784
Net cash provided by operating activities	60,864	53,244	61,689
INVESTING ACTIVITIES			
Net cash and cash equivalents provided by acquisitions	-	9,509	74,434
Net cash paid in conjunction with branch sale	(29,171)	-	-
Securities available for sale			
Proceeds from maturities, calls, and principal paydowns	382,285	335,280	98,755
Proceeds from sales	217,471	43,318	128,889
Purchases	(677,563)	(324,701)	(159,984
Securities held to maturity			
Proceeds from maturities, calls, and principal paydowns	52,637	40,427	34,347
Purchases	(33,645)	(26,121)	(23,445)
Net increase in loans	(36,315)	(39,589)	(306,113
Net (increase) decrease in Federal Reserve and FHLB stock	(1,915)	9,902	(505)
Purchases of premises and equipment, net	(6,851)	(8,451)	(1,642)
Proceeds from sales of other real estate owned	1,113	3,476	4,272
Net cash (used in) provided by investing activities	(131,954)	43,050	(150,992)
FINANCING ACTIVITIES			
Net increase (decrease) in deposits	40,689	(36,214)	132,950
Net (decrease) increase in short-term borrowings	(16,412)	(63,437)	13,129
Proceeds from issuance of long-term debt	80,000	247,083	5,000
Repayments of long-term debt	(6,856)	(215,005)	(22,543)
Proceeds from the issuance of shares to employee benefit plans and other stock plans	1,583	2,046	507
Purchase of treasury stock	(10,803)	(11,126)	(1,680)
Cash dividends and payment for fractional shares	(22,445)	(20,127)	(18,447)
Net cash provided by (used in) financing activities	65,756	(96,780)	108,916
Net (decrease) increase in cash and cash equivalents	(5,334)	(486)	19,613
Cash and cash equivalents at beginning of year	129,957	130,443	110,830
Cash and cash equivalents at end of year	$ 124,623	$ 129,957	$ 130,443
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid during the year for:			
Interest	$ 85,224	$ 124,362	$ 125,886
Income taxes	10,800	8,361	10,093
Noncash investing activities:			
Transfer of securities available for sale to trading securities	$ -	$ 3,804	$ 20,286
Adjustment of securities AFS to fair value and decrease in net unrealized loss on securities AFS transferred to investment securities held to maturity, net of tax	-	-	24,823
Transfer of loans to other real estate owned	3,352	3,400	3,634
Fair value of assets (sold) acquired	(3,323)	109,599	43,873
Fair value of liabilities (sold) assumed	(34,263)	112,134	133,891
Common stock issued for acquisitions	-	16,002	4,796

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)	YEARS ENDED DECEMBER 31, 2002	2001	2000
Net Income	$44,999	$3,737	$14,154
OTHER COMPREHENSIVE INCOME, NET OF TAX			
Unrealized net holding gains arising during the year (ore-tax amounts of $20,564, $2,779, and $36,323)	12,365	1,641	23,334
Less reclassification adjustment for net losses related to securities available for sale included in net income (pre-tax amounts of $408, $7,124, and $2,320)	245	4,214	1,489
Total other comprehensive income	12,610	5,855	24,823
Comprehensive income	$57,609	$9,592	$38,977

See accompanying notes to consolidated financial statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of NBT Bancorp Inc. (Bancorp) and its subsidiaries, NBT Bank, N.A. (NBT Bank) NBT Financial Services, Inc., and CNBF Capital Trust I, conform, in all material respects, to accounting principles generally accepted in the United States of America (GAAP) and to general practices within the banking industry. Collectively, Bancorp and its subsidiaries are referred to herein as "the Company."

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan and lease losses and the valuation of other real estate owned acquired in connection with foreclosures. In connection with the determination of the allowance for loan and lease losses and the valuation of other real estate owned, management obtains appraisals for properties.

The following is a description of significant policies and practices:

CONSOLIDATION

The accompanying consolidated financial statements include the accounts of Bancorp and its wholly owned subsidiaries. All material intercompany transactions have been eliminated in consolidation. Amounts previously reported in the consolidated financial statements are reclassified whenever necessary to conform with the current year's presentation. In the "Parent Company Financial Information," the investment in subsidiaries is carried under the equity method of accounting.

SEGMENT REPORTING

The Company's operations are primarily in the community banking industry and include the provision of traditional banking services. The Company operates solely in the geographical regions of central and northern New York and northeastern Pennsylvania. The Company has identified separate operating segments; however, these segments did not meet the quantitative thresholds for separate disclosure.

CASH EQUIVALENTS

The Company considers amounts due from correspondent banks, cash items in process of collection, and institutional money market mutual funds to be cash equivalents for purposes of the consolidated statements of cash flows.

SECURITIES

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

Nonmarketable equity securities are carried at cost, with the exception of investments owned by NBT Bank's small business investment company (SBIC) subsidiary, which are carried at fair value with net unrealized gains and losses recognized currently in income in accordance with SBIC rules.

Premiums and discounts are amortized or accreted over the life of the related security as an adjustment to yield using the interest method. Dividend and interest income are recognized when earned. Realized gains and losses on securities sold are derived using the specific identification method for determining the cost of securities sold.

Investments in Federal Reserve and Federal Home Loan Bank stock are required for membership in those organizations and are carried at cost since there is no market value available.

LOANS AND LEASES

Loans are recorded at their current unpaid principal balance, net of unearned income and unamortized loan fees and expenses, which are amortized under the effective interest method over the estimated lives of the loans. Interest income on loans is accrued based on the principal amount outstanding.

Lease receivables primarily represent automobile financing to customers through direct financing leases and are carried at the aggregate of the lease payments receivable and the estimated residual values, net of unearned income and net deferred lease origination fees and costs. Net deferred lease origination fees and costs are amortized under the effective interest method over the estimated lives of the leases. The estimated residual value related to the total lease portfolio is reviewed quarterly, and if there has been a decline in the estimated fair value of the total residual value that is judged by management to be other-than-temporary, a loss is recognized. Adjustments related to such other-than-temporary declines in estimated fair value are recorded in noninterest expense in the consolidated statements of income.

Loans and leases are placed on nonaccrual status when timely collection of principal and interest in accordance with contractual terms is doubtful. Loans and leases are transferred to a nonaccrual basis generally when principal or interest payments become ninety days delinquent, unless the loan is well secured and in the process of collection, or sooner when management concludes circumstances indicate that borrowers may be unable to meet contractual principal or interest payments. When a loan or lease is transferred to a nonaccrual status, all interest previously accrued in the current period but not collected is reversed against interest income in that period. Interest accrued in a prior period and not collected is charged-off against the allowance for loan and lease losses.

If ultimate repayment of a nonaccrual loan is expected, any payments received are applied in accordance with contractual terms. If ultimate repayment of principal is not expected, any payment received on a nonaccrual loan is applied to principal until ultimate repayment becomes expected. Nonaccrual loans are returned to accrual status when they become current as to principal and interest or demonstrate a period of performance under the contractual terms and, in the opinion of management, are fully collectible as to principal and interest. When in the opinion of management the collection of principal appears unlikely, the loan balance is charged-off in total or in part.

Commercial type loans are considered impaired when it is probable that the borrower will not repay the loan according to the original contractual terms of the loan agreement, and all loan types are considered impaired if the loan is restructured in a troubled debt restructuring.

A loan is considered to be a trouble debt restructured loan (TDR) when the Company grants a concession to the borrower because of the borrower's financial condition that it would not otherwise consider. Such concessions include the reduction of interest rates, forgiveness of principal or interest, or other modifications at interest rates that are less than the current market rate for new obligations with similar risk. TDR loans that are in compliance with their modified terms and that yield a market rate may be removed from the TDR status after a period of performance.

ALLOWANCE FOR LOAN AND LEASE LOSSES

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

The allowance for loan and lease losses related to impaired loans is based on discounted cash flows using the loan's initial effective interest rate or the fair value of the collateral for certain loans where repayment of the loan is expected to be provided solely by the underlying collateral (collateral dependent loans). The Company's impaired loans are generally collateral dependent. The

Company considers the estimated cost to sell, on a discounted basis, when determining the fair value of collateral in the measurement of impairment if those costs are expected to reduce the cash flows available to repay or otherwise satisfy the loans.

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

PREMISES AND EQUIPMENT

Premises and equipment are stated at cost, less accumulated depreciation. Depreciation of premises and equipment is determined using the straight-line method over the estimated useful lives of the respective assets. Expenditures for maintenance, repairs, and minor replacements are charged to expense as incurred.

OTHER REAL ESTATE OWNED

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

GOODWILL AND OTHER INTANGIBLE ASSETS

Prior to the adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, Goodwill and Other Intangible Assets, on January 1, 2002 (see "New Accounting Pronouncement-Business Combinations, Goodwill and Other Intangible Assets, and Certain Acquisitions of Banking of Thrift Institutions"), goodwill, which represents the excess of the purchase price over the fair value of net assets acquired, was being amortized over 15 to 40 years on a straight-line basis. Other intangible assets, which included core deposit intangible ("CDI") and unidentified intangible assets, were being amortized over their expected useful lives, which range from 5 to 25 years, on a straight-line basis. The Company reviewed goodwill and other intangible assets on a periodic basis for events or changes in circumstances that may have indicated that the carrying amount of goodwill and other intangible assets were not recoverable. See "New Accounting Pronouncement-Business Combinations, Goodwill and Other Intangible Assets, and Certain Acquisitions of Banking of Thrift Institutions" for further information regarding the accounting for goodwill and other intangible assets subsequent to December 31, 2001.

TREASURY STOCK

Treasury stock acquisitions are recorded at cost. Subsequent sales of treasury stock are recorded on an average cost basis. Gains on the sale of treasury stock are credited to additional paid-in-capital. Losses on the sale of treasury stock are charged to additional paid-in-capital to the extent of previous gains, otherwise charged to retained earnings.

INCOME TAXES

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

STOCK-BASED COMPENSATION

The Company accounts for its stock-based compensation plans in accordance with the provisions of Accounting Principles Board (APB) Opinion No. 25, Accounting for

Stock Issued to Employees, and related interpretations. On January 1, 1996, the Company adopted SFAS No. 123, Accounting for Stock-Based Compensation, which permits entities to recognize as expense over the vesting period the estimated fair value of all stock based awards measured on the date of grant. Alternatively, SFAS No. 123 allows entities to continue to apply the provisions of APB Opinion No. 25 and provide pro forma net income and pro forma net income per share disclosures for employee stock-based grants made in 1995 and thereafter as if the fair value based method defined in SFAS No. 123 had been applied. The Company has elected to continue to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosures of SFAS No. 123.

At December 31, 2002, the Company has two stock option plans (Plans). Under the terms of the plans, options are granted to directors and key employees to purchase shares of the Company's common stock at a price equal to the fair market value of the common stock on the date of the grant. Options granted have a vesting period of four years and terminate eight or ten years from the date of the grant.

The per share weighted average fair value of stock options granted during 2002, 2001, and 2000 was $2.24, $3.70, and $3.35, respectively. The fair value of each award is estimated on the grant date using the BlackScholes option pricing model with the following weighted average assumptions used for grants in the years ended December 31:

	YEARS ENDED DECEMBER 31,		
	2002	2001	2000
Dividend yield	4.07%	4.26%	5.34%
Expected volatility	19.13%	30.19%	29.88%
Risk-free interest rates	3.48%-4.74%	4.63%-5.04%	6.04%-6.62%
Expected life	7 YEARS	7 years	7 years

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

	YEARS ENDED DECEMBER 31,		
	2002	2001	2000
NET INCOME			
As reported	$44,999	$ 3,737	$14,154
Add: Stock-based compensation expense included in reported net income, net of related tax effects	50	43	40
Deduct: Total stock-based compensation expense determined under fair value based methods for all awards, net of related tax effects	(995)	(1,330)	(933)
Pro forma net income	44,054	2,450	13,261
BASIC EARNINGS PER SHARE			
As reported	1.36	0.11	0.44
Pro forma	1.34	0.07	0.41
DILUTED EARNINGS PER SHARE			
As reported	1.35	0.11	0.44
Pro forma	1.33	0.07	0.41

Because the Company's employee stock options have characteristics significantly different from those of traded options for which the Black-Scholes model was developed, and because changes in the subjective input assumptions can materially affect the fair value estimate, the existing models, in management's opinion, do not necessarily provide a reliable single measure of the fair value of its employee stock options.

PER SHARE AMOUNTS

Basic earnings per share (EPS) excludes dilution and is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity (such as the Company's dilutive stock options and restricted stock).

All share and per share data is restated to give retroactive effect to pooling-of-interests and stock dividends.

OTHER FINANCIAL INSTRUMENTS

The Company is a party to certain other financial instruments with off-balance-sheet risk such as commitments to extend credit, unused lines of credit, and standby letters of credit, as well as certain mortgage loans sold to investors with recourse. The Company's policy is to record such instruments when funded.

COMPREHENSIVE INCOME

At the Company, comprehensive income represents net income plus other comprehensive income, which consists of the net change in unrealized gains or losses on securities available for sale, net unrealized gains from the transfer of held to maturity securities to available for sale, net of income taxes, for the period. Accumulated other comprehensive income represents the net unrealized gains or losses on securities available for sale, net of income taxes, as of the consolidated balance sheet dates.

PENSION COSTS

The Company maintains a noncontributory, defined benefit pension plan covering substantially all employees, as well as supplemental employee retirement plans covering certain executives. Costs associated with these plans, based on actuarial computations of current and future benefits for employees, are charged to current operating expenses.

TRUST

Assets held by the Company in a fiduciary or agency capacity for its customers are not included in the accompanying consolidated balance sheets, since such assets are not assets of the Company. Such assets totaled $1.4 billion and $1.3 billion at December 31, 2002 and 2001, respectively. Trust income is recognized on the accrual method based on contractual rates applied to the balances of trust accounts.

NEW ACCOUNTING PRONOUNCEMENT-ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company adopted the provisions of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," effective January 1, 2001. At that time, the Company had certain embedded derivative instruments from the recently acquired CNB Bank related to a deposit product and two debt securities that had costs and returns linked to the performance of the NASDAQ 100 index. Management determined that these debt securities and the deposit product did not qualify for hedge accounting under SFAS No. 133. The embedded derivatives were separated from the underlying host instruments for financial reporting purposes and accounted for at fair value. In connection with the adoption of SFAS No. 133 as of January 1, 2001, the Company recorded a charge to earnings for a transition adjustment of $159,000 ($95,000, after-tax) for the net impact of recording these embedded derivatives on the consolidated balance sheet at fair value. Due to the insignificance of the amount, the transition adjustment was not reflected as a cumulative effect of a change in accounting principle on the consolidated statement of income for the year ended December 31, 2001, but was instead recorded in net securities (losses) gains. During the year ended December 31, 2001, and before the closing of the CNB merger, the Company recorded a $640,000 net loss related to the adjustment of the embedded derivatives to fair value. As of December 31, 2001, the embedded derivatives referred to above were completely written off as these derivatives had no value. During the first quarter of 2002, the two debt securities with embedded derivative instruments noted above were sold at approximately their carrying value, as the securities did not meet the risk profile of the Company's security portfolio.

At December 31, 2002, the Company has no other derivatives as currently defined by SFAS No. 133.

NEW ACCOUNTING PRONOUNCEMENT-BUSINESS COMBINATIONS, GOODWILL AND OTHER INTANGIBLE ASSETS, AND CERTAIN ACQUISITIONS OF BANKING OR THRIFT INSTITUTIONS

In July 2001, the FASB issued SFAS No. 141, "Business Combinations," and SFAS No. 142. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, as well as all purchase method business combinations completed after June 30, 2001. SFAS No. 141 also specifies criteria intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill. SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142. SFAS No. 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 144, accounting for the impairment or disposal of long-lived assets.

The Company adopted the provisions of SFAS No. 141 effective July 1, 2001, and adopted the provisions of SFAS No. 142 effective January 1, 2002. SFAS No. 141 requires that upon adoption of SFAS No. 142, that the Company evaluate its existing intangible assets and goodwill that were acquired in a prior purchase business combination, and to make any necessary reclassifications in order to conform with the new criteria in SFAS No. 141 for recognition apart from goodwill.

During the first quarter of 2002, upon the implementation of SFAS No. 142, the Company performed a reevaluation of the remaining useful lives of all previously recognized intangible assets and found no adjustment necessary. The Company has completed its transitional goodwill impairment evaluation and has concluded there is no impairment losses from the adoption of SFAS No. 142. The Company has not identified any intangible assets with indefinite useful lives.

The unidentified intangible assets acquired in the acquisition of a bank or thrift (including acquisitions of branches), where the fair value of the liabilities assumed exceeds the fair value of the assets acquired, meeting certain conditions was amortized to expense under SFAS No. 72, Accounting for Certain Acquisitions of Banking or Thrift Institutions. In October 2002, SFAS No. 147, Acquisitions of Certain Financial Institutions, was issued. This Statement amends SFAS No. 72 and 144 and Financial Accounting Standards Board (FASB) Interpretation FIN No. 9. Except for transactions between two or more mutual enterprises, this Statement removes acquisitions of financial institutions from the scope of both SFAS No. 72 and FIN No. 9 and requires that those transactions be accounted for in accordance with SFAS No. 141 and No. 142. Accordingly, unidentified intangibles related to certain branch acquisitions are no longer amortized but are subject to impairment testing under SFAS No. 142. In addition, this Statement amends SFAS No. 144 to include in its scope long-term customer-relationship intangible assets of financial institutions such as depositor and borrower-relationship intangible assets and credit cardholder intangible assets. Consequently, those intangible assets are subject to the same undiscounted cash flow recoverability test and impairment loss recognition and measurement provisions that SFAS No. 144 requires for other long-lived assets that are held and used. The Statement is effective after September 30, 2002, with the application of its provisions applied retroactively to January 1, 2002. Upon adoption of SFAS No. 142, the Company is required to reassess the useful lives and residual values of all intangible assets acquired in purchase business combinations, and make any necessary amortization period adjustments by the end of the first interim period after adoption. In addition, to the extent an intangible asset is identified as having an indefinite useful life, the Company is required to test the intangible asset for impairment in accordance with the provisions of Statement 142 within the first interim period. Goodwill is required to be tested for impairment by the end of 2002, with impairment adjustments, if any, recorded as of the beginning of 2002.

Note 8 provides further detail on the accounting for goodwill and other intangible assets under the standards set forth by SFAS No. 142 and No. 147 and the impact on the adoption on the consolidated financial statements.

NEW ACCOUNTING PRONOUNCEMENT-ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS

On August 16, 2001, the FASB issued SFAS No. 143 Accounting for Asset Retirement Obligations. Statement 143 addresses financial accounting and reporting for obligations associated with retirement of tangible long-lived assets and the associated asset retirement costs. Statement 143 applies to all entities. This Statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. Under this Statement,

the liability is discounted and the accretion expense is recognized using the credit-adjusted risk-free interest rate in effect when the liability was initially recognized. The FASB issued this Statement to provide consistency for the accounting and reporting of liabilities associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. Earlier application is permitted. The Company does not expect a material impact on its consolidated financial statements when this Statement is adopted.

NEW ACCOUNTING PRONOUNCEMENT-ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS

On October 3, 2001, The FASB issued SFAS No. 144 Accounting for the Impairment or Disposal of Long-Lived Assets. This Statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This Statement supersedes SFAS No. 121 Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of. This Statement also supersedes the accounting and reporting provisions of APB Opinion No. 30 Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions. The changes in this Statement improve financial reporting by requiring that one accounting model be used for long-lived assets to be disposed of by broadening the presentation of discontinued operations to include more disposal transactions. This Statement is effective for financial statements issued for fiscal years beginning after December 15, 2001 and interim periods within those fiscal years. The Company adopted the provisions of SFAS No. 144 effective January 1, 2002, and the adoption did not have a material impact on its consolidated financial statements.

NEW ACCOUNTING PRONOUNCEMENT-RESCISSION OF FASB STATEMENTS NO. 4, 44 AND 64

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt," which required gains and losses from extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of related income tax effect. Upon adoption of SFAS No. 145, companies will be required to apply the criteria in Accounting Principles Board, or APB, Opinion No. 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" in determining the classification of gains and losses resulting from the extinguishment of debt. Upon adoption, companies must reclassify prior period items that do not meet the extraordinary item classification criteria in APB Opinion No. 30. Additionally, SFAS No. 145 amends SFAS No. 13, "Accounting for Leases," to require that certain lease modifications that have economic effects similar to sale-leaseback transactions be accounted for in the same manner as sale-leaseback transactions. The provisions of SFAS No. 145 related to the rescission of SFAS No. 4 are effective for fiscal years beginning after May 15, 2002. All other provisions of SFAS No. 145 are effective for transactions occurring and/or financial statements issued on or after May 15, 2002. The implementation of SFAS No. 145 provisions, which were effective May 15, 2002, did not have a material impact on our consolidated financial condition or results of operations. The implementation of the remaining provisions is not expected to have a material impact on our consolidated financial condition or results of operations.

NEW ACCOUNTING PRONOUNCEMENT-ACCOUNTING FOR COSTS ASSOCIATED WITH EXIT OR DISPOSAL ACTIVITIES

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." This Statement is effective for exit or disposal activities initiated after December 31, 2002. The Company will review the impact of applying this standard to any exit or disposal activities initiated after December 31, 2002.

NEW ACCOUNTING PRONOUNCEMENT-ACCOUNTING FOR STOCK BASED COMPENSATION

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure," which provides guidance on how to transition from the intrinsic value method of accounting for

stock-based employee compensation under APB No. 25 to SFAS No. 123's fair value method of accounting, if a company so elects. The Company currently intends to continue to account for stock-based employee compensation under APB No. 25 in 2003.

NEW ACCOUNTING PRONOUNCEMENT-ACCOUNTING FOR GUARANTEES

In November 2002, the FASB issued FASB Interpretation No. 45 (FIN 45), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." This interpretation expands the disclosures to be made by a guarantor in its financial statements about its obligations under certain guarantees and requires the guarantor to recognize a liability for the fair value of an obligation assumed under a guarantee. FIN 45 clarifies the requirements of SFAS No. 5, "Accounting for Contingencies," relating to guarantees. In general, FIN 45 applies to contracts or indemnification agreements that contingently require the guarantor to make payments to the guaranteed party based on changes in an underlying that is related to an asset, liability, or equity security of the guaranteed party. Certain guarantee contracts are excluded from both the disclosure and recognition requirements of this interpretation, including, among others, guarantees relating to employee compensation, residual value guarantees under capital lease arrangements, commercial letters of credit, loan commitments, subordinated interests in an a special purpose entity, and guarantees of a company's own future performance. Other guarantees are subject to the disclosure requirements of FIN 45 but not to the recognition provisions and include, among others, a guarantee accounted for as a derivative instrument under SFAS No. 133, a parent's guarantee of debt owed to a third party by its subsidiary or vice versa, and a guarantee which is based on performance not price. The disclosure requirements of FIN 45 are effective for the Company as of December 31, 2002, and require disclosure of the nature of the guarantee, the maximum potential amount of future payments that the guarantor could be required to make under the guarantee, and the current amount of the liability, if any, for the guarantor's obligations under the guarantee. The recognition requirements of FIN 45 are to be applied prospectively to guarantees issued or modified after December 31, 2002. The requirements of FIN 45 will not have a material impact on the Company's consolidated results of operations, financial position, or liquidity.

NEW ACCOUNTING PRONOUNCEMENT-CONSOLIDATION OF VARIABLE INTEREST ENTITIES

In January 2003, the FASB issued FASB Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities." The objective of this interpretation is to provide guidance on how to identify a variable interest entity (VIE) and determine when the assets, liabilities, noncontrolling interests, and results of operations of a VIE need to be included in a company's consolidated financial statements. A company that holds variable interests in an entity will need to consolidate the entity if the company's interest in the VIE is such that the company will absorb a majority of the VIE's expected losses and/or receive a majority of the entity's expected residual returns, if they occur. FIN 46 also requires additional disclosures by primary beneficiaries and other significant variable interest holders. The provisions of this interpretation became effective upon issuance. The requirements of FIN 46 will not have a material impact on the Company's consolidated results of operations, financial position, or liquidity.

(2) MERGER AND ACQUISITION ACTIVITY

The Company did not enter into any mergers or acquisitions during 2002.

On June 1, 2001, the Company completed the acquisition of First National Bancorp, Inc. (FNB) whereby FNB was merged with and into NBT Bancorp Inc. At the same time FNB's subsidiary, First National Bank of Northern New York (FNB Bank) was merged into NBT Bank, N.A. The acquisition was accounted for using the purchase method. As such, both the assets and liabilities assumed have been recorded on the consolidated balance sheet of the Company at estimated fair value as of the date of acquisition and the results of operations are included in the Company's consolidated statement of income from the acquisition date forward. To complete the transaction, the Company issued approximately 1,075,000 shares of its common stock valued at $16.0 million. Goodwill, representing the cost over net assets acquired, was approximately $7.0 million and was being amortized prior to the adoption of SFAS No. 142 on January 1, 2002 on a straight-line basis based on a twenty year amortization period.

On September 14, 2001, the Company acquired

$14.4 million in deposits from Mohawk Community Bank. Unidentified intangible assets, accounted for in accordance with SFAS No. 72 and representing the excess of cost over net assets acquired, was $665,000 and is being amortized over 15 years on a straight-line basis. Additionally, the Company identified $119,000 of core deposit intangible asset which is being amortized over 6 years on a straight-line basis.

On November 8, 2001, the Company, pursuant to a merger agreement dated June 18, 2001, completed its merger with CNB Financial Corp. (CNB) and its wholly owned subsidiary, Central National Bank (CNB Bank), whereby CNB was merged with and into NBT, and CNB Bank was merged with and into NBT Bank. CNB Bank then became a division of NBT Bank. In connection with the merger, CNB stockholders received 1.2 shares of the Company's common stock for each share of CNB stock and the Company issued approximately 8.9 million shares of common stock. The transaction is structured to be tax free to shareholders of CNB and has been accounted for as a pooling-of-interests. Accordingly, the Company's consolidated financial statements were restated to present combined consolidated financial condition and results of operations of NBT and CNB as if the merger had been in effect for all years presented. At September 30, 2001, CNB had consolidated assets of $983.1 million, deposits of $853.7 million, and equity of $62.8 million. CNB Bank operated 29 full service banking offices in nine upstate New York counties.

On February 17, 2000, the Company consummated a merger, whereby Lake Ariel Bancorp, Inc. (Lake Ariel) and its subsidiaries were merged with and into the Company with each issued and outstanding share of Lake Ariel exchanged for 0.9961 shares of Bancorp common stock. The transaction resulted in the issuance of approximately 5.0 million shares of Bancorp common stock. Lake Ariel's commercial banking subsidiary was LA Bank, N.A.

On July 1, 2000, the Company consummated a merger, whereby Pioneer American Holding Company Corp. (Pioneer Holding Company) and its subsidiary were merged with and into the Company with each issued and outstanding share of Pioneer Holding Company exchanged for 1.805 shares of Bancorp common stock. The transaction resulted in the issuance of approximately 5.2 million shares of Bancorp common stock. Pioneer Holding Company's commercial banking subsidiary was Pioneer American Bank, N.A.

The Lake Ariel and Pioneer Holding Company mergers qualified as tax-free exchanges and were accounted for as poolings-of-interests. Accordingly, the Company's consolidated financial statements were restated to present the combined consolidated financial condition and results of operations of all companies as if the mergers had been in effect for all years presented.

LA Bank, N.A. and Pioneer Bank N.A. were commercial banks headquartered in northeast Pennsylvania with approximately $570 million and $420 million, respectively, in assets at December 31, 1999, and twenty-two and eighteen branch offices, respectively, in five counties. Immediately following the Lake Ariel and Pioneer Holding Company mergers described above, Bancorp was the surviving holding company for NBT Bank, LA Bank, N.A., Pioneer American Bank, N.A. and NBT Financial Services, Inc. On November 10, 2000, LA Bank, N.A. changed its name to Pennstar. On December 9, 2000, Pioneer American Bank, N.A. was merged into Pennstar. On March 16, 2001, Pennstar was merged with and into NBT Bank and became a division of NBT Bank.

On May 5, 2000, the Company consummated the acquisition of M. Griffith, Inc. a Utica, New York based securities firm offering investment, financial advisory and asset-management services, primarily in the Mohawk Valley region. At that time, M. Griffith, Inc., a full-service broker/dealer and a Registered Investment Advisor, became a wholly owned subsidiary of NBT Financial Services, Inc. The acquisition was accounted for using the purchase method. As such, both the assets acquired and liabilities assumed have been recorded on the consolidated balance sheet of the Company at estimated fair value as of the date of acquisition. M. Griffith, Inc.'s, results of operations are included in the Company's consolidated statement of income from the date of acquisition forward. To complete the transaction, the Company issued approximately 421,000 shares of its common stock, valued at $4.8 million. Goodwill, representing the cost over net assets acquired, was $3.4 million and was being amortized, prior to the adoption of SFAS No. 142 on January 1, 2002, over fifteen years on a straight-line basis.

On June 2, 2000, one of Bancorp's subsidiaries, LA Bank, N.A. (subsequently renamed Pennstar), purchased two branches from Mellon Bank. Deposits from the Mellon Bank branches were approximately $36.7 million, including accrued interest payable. In addition, the Company received approximately $32.2 million in cash as consideration for net liabilities assumed. The acquisition was accounted for using the purchase method. As such, both the assets acquired and liabilities assumed have been recorded on the consolidated balance sheet of the Company at estimated fair value as of the date of the acquisition. Unidentified intangible assets, accounted for in accordance with SFAS No. 72 and representing the excess

of cost over net assets acquired, was $4.3 million and was being amortized over 15 years on the straight-line basis prior to the adoption of SFAS No. 147 on January 1, 2002. The branches' results of operations are included in the Company's consolidated statement of income from the date of acquisition forward.

On November 10, 2000, Pennstar purchased six branches from Soverign Bank. deposits from the Soverign Bank branches were approximately $96.8 million, including accrued interest payable. Pennstar also purchased commercial loans associated with the branches with a net book balance of $42.4 million. In addition, the Company received $40.9 million in cash consideration for net liabilities assumed. The acquisition was accounted for using the purchase method. As such, both the assets acquired and liabilities assumed have been recorded on the consolidated balance sheet of the Company at estimated fair value as of the date of the acquisition. Unidentified intangible assets, accounted for in accordance with SFAS No. 72 and representing the excess of cost over net assets acquired, was $12.7 million and was being amortized over 15 years on a straight-line basis prior to the adoption of SFAS No. 147 as of January 1, 2002. The branches' results of operations are included in the Company's consolidated statement of income from the date of acquisition forward.

During 2001 and 2000, the following merger, acquisition and reorganization costs were recognized:

	YEARS ENDED DECEMBER 31, 2001	YEARS ENDED DECEMBER 31, 2000
Professional fees	$ 5,956	$ 8,525
Data processing	2,092	2,378
Severance	3,270	7,278
Branch closing	2,412	1,736
Advertising and supplies	313	1,337
Hardware and software write-off	402	1,428
Miscellaneous	877	943
Total	$15,322	$23,625

As of December 31, 2002, the Company had a remaining accrued liability of $4.0 million for merger, acquisition, and reorganization costs recognized in 2001 and 2000. The remaining accrued liability is comprised mainly of severance costs, which will be paid out over a period of time consistent with respective severance agreements.

(3) EARNINGS PER SHARE

The following is a reconciliation of basic and diluted earnings per share for the years presented in the consolidated statements of income:

(In thousands, except per share data)	2002 NET INCOME	2002 WEIGHTED AVERAGE SHARES	2002 PER SHARE AMOUNT	2001 Net income	2001 Weighted average shares	2001 Per share amount	2000 Net income	2000 Weighted average shares	2000 Per share amount
Basic earnings per share	$44,999	32,983	$ 1.36	$ 3,737	32,897	$ 0.11	$14,154	32,291	$ 0.44
EFFECT OF DILUTIVE SECURITIES									
Stock based compensation		205			123			45	
Contingent shares		47			65			69	
Diluted earnings per share	$44,999	33,235	$ 1.35	$ 3,737	33,085	$ 0.11	$14,154	32,405	$ 0.44

There were approximately 416,000, 936,000, and 923,000 weighted average stock options for the years ended December 31, 2002, 2001, and 2000, respectively, that were not considered in the calculation of diluted earnings per share since the stock options' exercise prices were greater than the average market price during these periods.

(4) FEDERAL RESERVE BANK REQUIREMENT

The Company is required to maintain reserve balances with the Federal Reserve Bank. The required average total reserve for NBT Bank for the 14 day maintenance period ending December 25, 2002 was $51.5 million.

(5) SECURITIES

The amortized cost, estimated fair value, and unrealized gains and losses of securities available for sale are as follows:

(In thousands)	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	ESTIMATED FAIR VALUE
DECEMBER 31, 2002				
U.S. TREASURY	$ 502	$ 12	$ -	$ 514
FEDERAL AGENCY	143,273	2,997	-	146,270
STATE & MUNICIPAL	88,237	4,126	19	92,344
MORTGAGE-BACKED	667,511	20,164	5	687,670
COLLATERALIZED MORTGAGE OBLIGATIONS	32,714	482	26	33,170
ASSET-BACKED SECURITIES	11,339	222	1,573	9,988
CORPORATE	14,024	330	138	14,216
OTHER SECURITIES	22,489	942	20	23,411
TOTAL SECURITIES AVAILABLE FOR SALE	$ 980,089	$ 29,275	$ 1,781	$ 1,007,583
December 31, 2001				
U.S. Treasury	$ 12,392	$ 64	$ 699	$ 11,757
Federal Agency	111,020	1,810	254	112,576
State & municipal	92,982	576	1,573	91,985
Mortgage-backed	413,081	5,639	683	418,037
Collateralized mortgage obligations	184,777	2,335	826	186,286
Asset-backed securities	32,391	642	838	32,195
Corporate	42,468	836	1,126	42,178
Other securities	13,707	687	67	14,327
Total securities available for sale	$ 902,818	$ 12,589	$ 6,066	$ 909,341

Other securities include non-marketable equity securities, including certain securities acquired by NBT Bank's small business investment company (SBIC) subsidiary, and trust preferred securities. Collateralized mortgage obligations at December 31, 2002 and 2001, include securities with an amortized cost of $1.8 million and $9.2 million, respectively and estimated fair value of $1.8 million and $9.1 million, respectively, that are privately issued and are not backed by Federal agencies. The remaining collateralized mortgage obligations were issued or backed by Federal agencies.

The following table sets forth information with regard to sales transactions of securities available for sale:

(In thousands)	YEARS ENDED DECEMBER 31 2002	2001	2000
Proceeds from sales	$217,471	$43,318	$128,889
Gross realized gains	7,725	2,213	1,751
Gross realized losses	(7,473)	(1,046)	(604)
Other-than-temporary impairment write-downs	(660)	(8,291)	(3,467)
Net security (losses) gains and write-downs on securities available for sale	(408)	(7,124)	(2,320)
Net realized (losses) gains on trading securities and embedded derivatives	(5)	(568)	47
Net securities (losses) gains	$ (413)	$(7,692)	$ (2,273)

The security with other-than-temporary impairment charges at December 31, 2002 had a remaining carrying value, which approximated fair value, of $1.1 million, is classified as securities available for sale and is on the non-accrual status.

Approximately, $1.4 million of the other-than temporary impairment charge in 2000 related to the Company's decision in late 2000 to sell certain debt securities available for sale with an amortized cost of $21.7 million. As a result of the decision to immediately sell these securities, they were considered to be other than-temporarily impaired. These securities were sold in early January 2001 at amounts approximating their carrying values. The remaining securities with other than temporary impairment charges at December 31, 2000 had carrying values totaling $1.4 million, which approximated fair value, at December 31, 2000, are classified as securities available for sale and are on the non-accrual status.

At December 31, 2002 and 2001, securities available for sale with amortized costs totaling $519.7 million and $628.8 million, respectively, were pledged to secure public deposits and for other purposes required or permitted by law. Additionally, at December 31, 2002, securities available for sale with an amortized cost of $51.9 million were pledged as collateral for securities sold under repurchase agreements.

The amortized cost, estimated fair value, and unrealized gains and losses of securities held to maturity are as follows:

(In thousands)	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	ESTIMATED FAIR VALUE
DECEMBER 31, 2002				
MORTGAGE-BACKED	24,613	$ 1,107	$ -	$ 25,720
STATE & MUNICIPAL	56,021	897	1	56,917
OTHER SECURITIES	1,880	-	-	1,880
TOTAL SECURITIES HELD TO MATURITY	82,514	$ 2,004	$ 1	$ 84,517
December 31, 2001				
Mortgage-backed	36,733	$ 295	$ 405	36,623
State & municipal	64,715	-	-	64,715
Other securities	156	1	-	157
Total securities held to maturity	$ 101,604	296	$ 405	$ 101,495

At December 31, 2002 and 2001, substantially all of the mortgage-backed securities available for sale and held to maturity held by the Company were issued or backed by Federal agencies.

The following tables set forth information with regard to contractual maturities of debt securities at December 31, 2002:

(In thousands)	AMORTIZED COST	ESTIMATED FAIR VALUE
DEBT SECURITIES CLASSIFIED AS AVAILABLE FOR SALE		
Within one year	$ 42,932	$ 43,526
From one to five years	300,036	308,927
From five to ten years	485,380	497,864
After ten years	142,083	146,766
	$ 970,431	$ 997,083
DEBT SECURITIES CLASSIFIED AS HELD TO MATURITY		
Within one year	$ 25,744	$ 25,751
From one to five years	26,015	26,905
From five to ten years	15,211	15,721
After ten years	15,544	16,140
	$ 82,514	$ 84,517

Maturities of mortgage-backed, collateralized mortgage obligations and asset-backed securities are stated based on their estimated average lives. Actual maturities may differ from estimated average lives or contractual maturities because, in certain cases, borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

Except for U.S. Government securities, there were no holdings, when taken in the aggregate, of any single issues that exceeded 10% of consolidated stockholders' equity at December 31, 2002 and 2001.

(6) LOANS AND LEASES AND ALLOWANCE FOR LOAN AND LEASE LOSSES

A summary of loans and leases, net of deferred fees and origination costs, by category is as follows:

	DECEMBER 31	
(In thousands)	2002	2001
Residential real estate mortgages	$ 579,638	$ 525,411
Commercial and commercial real estate mortgages	920,330	958,075
Real estate construction and development	64,025	60,513
Agricultural and agricultural real estate mortgages	104,078	103,884
Consumer	357,214	387,081
Home equity	269,553	232,624
Lease financing	61,094	72,048
Total loans and leases	$2,355,932	$2,339,636

FHLB advances are collateralized by a blanket lien on the Company's residential real estate mortgages.

Changes in the allowance for loan and lease losses for the three years ended December 31, 2002, are summarized as follows:

(In thousands)	YEARS ENDED DECEMBER 31,=		
	2002	2001	2000
Balance at January 1	$ 44,746	$ 32,494	$28,240
Allowance related to purchase acquisitions	-	505	525
Provision	9,073	31,929	10,143
Recoveries	4,670	2,189	1,383
Charge-offs	(18,322)	(22,371)	(7,797)
Balance at December 31	$ 40,167	$ 44,746	$32,494

The following table sets forth information with regard to nonperforming loans:

(In thousands)	AT DECEMBER 31,		
	2002	2001	2000
Loans in nonaccrual status	$24,009	$40,210	$17,103
Loans contractually past due 90 days or more and still accruing interest	1,976	2,975	8,430
Restructured loans	409	603	656
Total nonperforming loans	$26,394	$43,788	$26,189

There were no material commitments to extend further credit to borrowers with nonperforming loans.

Accumulated interest on the above nonaccrual loans of approximately $1.9 million, $3.2 million , and $1.0 million would have been recognized as income in 2002, 2001, and 2000, respectively, had these loans been in accrual status. Approximately $1.8 million, $0.6 million, and $0.5 million of interest on the above nonaccrual loans was collected in 2002, 2001, and 2000, respectively.

At December 31, 2002 and 2001, the recorded investment in loans that are considered to be impaired totaled $17.4 million and $32.0 million, respectively, for which the related allowance for loan losses is $0.5 million and $1.4 million, respectively. As of December 31, 2002 and 2001, there were $15.5 million and $23.7 million, respectively, of impaired loans which did not have an allowance for loan losses due to the adequacy of their collateral. Included in total impaired loans at December 31, 2002 and 2001 were $0.4 million and $0.6 million, respectively, of restructured loans.

The following provides additional information on impaired loans for the periods presented:

(In thousands)	YEARS ENDED DECEMBER 31		
	2002	2001	2000
Average recorded investment on impaired loans	$23,549	$21,618	$12,191
Interest income recognized on impaired loans	1,469	591	308
Cash basis interest income recognized on impaired loans	1,469	591	308

RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Company has made loans at prevailing rates and terms to directors, officers, and other related parties. Such loans, in management's opinion, do not present more than the normal risk of collectibility or incorporate other unfavorable features. The aggregate amount of loans outstanding to qualifying related parties and changes during the years are summarized as follows:

(In thousands)	2002	2001
Balance at January 1	$ 14,640	$ 6,847
New loans	4,565	10,866
Change in Composition	569	603
Repayments	(2,815)	(3,676)
Balance at December 31	$ 16,959	$ 14,640

(7) PREMISES AND EQUIPMENT, NET

A summary of premises and equipment follows:

	DECEMBER 31	
(In thousands)	2002	2001
Land, buildings, and improvements	$ 66,542	$ 65,350
Equipment	52,123	50,752
Construction in progress	423	443
	119,088	116,545
Accumulated depreciation	57,827	53,860
Total premises and equipment	$ 61,261	$ 62,685

Land, buildings, and improvements with a carrying value of approximately $4.0 million and $4.1 million at December 31, 2002 and 2001, respectively, are pledged to secure long-term borrowings.

Rental expense included in occupancy expense amounted to $2.1 million in 2002, $2.1 million in 2001, and $1.9 million in 2000. The future minimum rental payments related to noncancelable operating leases with original terms of one year or more are as follows at December 31, 2002 (in thousands):

2003	$ 1,886
2004	1,571
2005	1,378
2006	1,237
2007	1,115
Thereafter	5,129
Total	$12,316

(8) GOODWILL AND OTHER INTANGIBLE ASSETS

Upon the adoption of SFAS No.142 on January 1, 2002, and SFAS No. 147 on October 1, 2002, with retroactive application to January 1, 2002, the Company ceased amortizing its goodwill and unidentifiable intangible assets related to branch acquisitions, which decreased non-interest expense and increased net income in 2002 as compared to 2001 and 2000. The following table shows the pro forma effects of applying SFAS No. 142 and SFAS No. 147 to the 2001 and 2000 periods:

(In thousands, except per share amounts)	YEARS ENDED DECEMBER 31, 2001	2000
GOODWILL AND UNIDENTIFIED INTANGIBLE ASSET AMORTIZATION		
Pretax	$3,563	2,238
After-tax	2,426	1,553
NET INCOME		
Reported	3,737	14,154
Add back: after-tax amortization	2,426	1,553
Adjusted	$6,163	$15,707
BASIC EARNINGS PER SHARE (EPS)		
Reported	0.11	0.44
Add back: after-tax amortization per share	0.07	0.05
Adjusted	$ 0.19	$ 0.49
DILUTED EPS		
Reported	0.11	0.44
Add back: after-tax amortization per share	0.07	0.05
Adjusted	$ 0.19	0.48

Upon the adoption of SFAS No. 147 on October 1, 2002, approximately $30.6 million of unidentified intangible assets were reclassified to goodwill retroactive to January 1, 2002.

A summary of goodwill by operating subsidiaries follows:

(In thousands)	JANUARY 1, 2002	GOODWILL DISPOSED	IMPAIRMENT LOSS	DECEMBER 31, 2002
NBT Bank, N.A.	$ 44,667	$ (1,547)	-	$ 43,120
NBT Financial Services, Inc.	3,001	-	-	3,001
Total	$ 47,668	$ (1,547)	-	$ 46,121

In connection with the sale of a branch during 2002, $1.5 million in goodwill were included in the carrying amount of the branch in determining the gain on disposal.

The Company has intangible assets with definite useful lives capitalized on its consolidated balance sheet in the form of core deposit and unidentified intangible assets. These intangible assets continue to be amortized over their estimated useful lives in accordance with SFAS No. 142, which range from one to twenty-five years. There were no adjustments to the useful lives of these intangible assets as a result of the adoption of SFAS No. 142.

A summary of core deposit and other intangible assets follows:

(In thousands)	DECEMBER 31, 2002	2001
CORE DEPOSIT INTANGIBLES		
Gross carrying amount	$5,433	$ 5,433
Less: accumulated amortization	3,931	3,282
Net carrying amount	1,502	2,151
UNIDENTIFIED INTANGIBLE ASSETS		
Gross carrying amount	1,031	36,921
Less: accumulated amortization	287	4,729
Net carrying amount	744	32,192
TOTAL INTANGIBLES WITH DEFINITE USEFUL LIVES		
Gross carrying amount	6,464	42,354
Less: accumulated amortization	4,218	8,011
Net carrying amount	$2,246	$34,343

Amortization expense on intangible assets with definite useful lives totaled $0.8 million for each of 2002, 2001, and 2000, respectively. Amortization expense on intangible assets with definite useful lives is expected to total $0.6 million for 2003 and $0.3 million for 2004, 2005, 2006 and 2007.

(9) DEPOSITS

The following table sets forth the maturity distribution of time deposits at December 31, 2002 (in thousands):

Within one year	$ 815,818
After one but within two years	235,981
After two but within three years	172,308
After three but within four years	18,076
After four but within five years	36,882
After five years	10,171
Total	$1,289,236

Time deposits of $100,000 or more aggregated $425.7 million and $558.6 million at year end 2002 and 2001, respectively.

(10) SHORT-TERM BORROWINGS

Short-term borrowings total $105.6 million and $122.0 million at December 31, 2002 and 2001, respectively, and consist of Federal funds purchased and securities sold under repurchase agreements, which generally represent overnight borrowing transactions, and other short-term borrowings, primarily Federal Home Loan Bank (FHLB) advances, with original maturities of one year or less. The Company has unused lines of credit with the FHLB available for short-term financing and access to brokered deposits of approximately $562 million and $767 million at December 31, 2002 and 2001, respectively.

In addition, the Company has two other lines of credit, expiring on November 6, 2003, which are available with the FHLB. The first is an overnight line of credit for approximately $80.0 million with interest based on existing market conditions. The second is a one-month overnight repricing line of credit for approximately $50.0 million with interest based on existing market conditions. As of December 31, 2002, there was $53.5 million (included in federal funds purchased) outstanding on the overnight lines of credit. Borrowings on these lines are secured by FHLB stock, certain securities and one-to-four family first lien mortgage loans.

Securities collateralizing repurchase agreements are held in safekeeping by nonaffiliated financial institutions and are under the Company's control.

Information related to short-term borrowings is summarized as follows:

(In thousands)	2002	2001	2000
FEDERAL FUNDS PURCHASED			
Balance at year-end	$53,500	$31,000	$ 50,000
Average during the year	17,404	30,752	52,218
Maximum month end balance	53,500	47,200	70,695
Weighted average rate during the year	1.83%	4.79%	5.95%
Weighted average rate at December 31	1.35%	1.35%	6.66%
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS			
Balance at year-end	$51,851	$64,973	$ 46,050
Average during the year	63,470	56,408	57,679
Maximum month end balance	69,477	64,973	130,262
Weighted average rate during the year	1.43%	3.38%	5.02%
Weighted average rate at December 31	1.16%	1.62%	4.76%
OTHER SHORT-TERM BORROWINGS			
Balance at year-end	$ 250	$26,040	$ 88,654
Average during the year	6,165	36,002	84,991
Maximum month end balance	25,787	71,654	131,077
Weighted average rate during the year	1.75%	5.35%	6.42%
Weighted average rate at December 31	1.10%	5.11%	6.65%

(11) LONG-TERM DEBT

Long-term debt consists of obligations having an original maturity at issuance of more than one year. A majority of the Company's long-term debt is comprised of FHLB advances collateralized by the FHLB stock owned by the Company, certain of its mortgage-backed securities and a blanket lien on its residential real estate mortgage loans. A summary as of December 31, 2002 is as follows:

	AS OF DECEMBER 31, 2002			
MATURITY	AMOUNT	WEIGHTED AVERAGE RATE	CALLABLE AMOUNT	WEIGHTED AVERAGE RATE
2003	$100,334	4.94%	$ -	
2004	30,000	3.42%	-	
2005	55,000	4.59%	25,000	4.40%
2006	25,000	4.45%	-	
2008	35,522	5.31%	35,000	5.29%
2009	75,000	5.25%	75,000	5.25%
2012	20,000	2.02%	20,000	2.02%
2025	4,619	1.55%	-	
	$345,475		$ 155,000	

(12) GUARANTEED PREFERRED BENEFICIAL INTERESTS IN COMPANY'S JUNIOR SUBORDINATED DEBENTURES

On June 14, 1999, CNB established CNBF Capital Trust I (the Trust), which is a statutory business trust. The Trust exists for the exclusive purpose of issuing and selling 30 year guaranteed preferred beneficial interests in the Company's junior subordinated debentures (capital securities). On August 4, 1999, the Trust issued $18.0 million in capital securities at 3-month LIBOR plus 275 basis points, which equaled 8.12% at issuance. The rate on the capital securities resets quarterly, equal to the 3-month LIBOR plus 275 basis points (4.55% and 5.35% for the December 31, 2002 and 2001 quarterly payments, respectively). The capital securities are the sole asset of the Trust. The obligations of the Trust are guaranteed by Bancorp. Capital securities totaling $1.0 million were issued to NBT. These capital securities were retired upon the merger of NBT and CNB (see note 2). The net proceeds from the sale of the capital securities were used for general corporate purposes and to provide a capital contribution of $15.0 million to CNB Bank, which was merged into NBT Bank. The capital securities, with associated expense that is tax deductible, qualify as Tier I capital under regulatory definitions, subject to certain restrictions. The Bancorp's primary source of funds to pay interest on the debentures owed to the Trust are current dividends from the NBT Bank. Accordingly, the Bancorp's ability to service the debentures is dependent upon the continued ability of NBT Bank to pay dividends (see also note 14). The capital securities are not classified as debt for financial statement purposes and therefore the expense associated with the capital securities is recorded as non-interest expense in the consolidated statements of income.

(13) Income Taxes

The significant components of income tax expense attributable to operations are:

(In thousands)	YEARS ENDED DECEMBER 31 2002	2001	2000
CURRENT			
Federal	$12,569	$ 5,404	$ 7,887
State	590	1,471	835
	13,159	6,875	8,722
DEFERRED			
Federal	7,048	(4,963)	(1,766)
State	1,607	(1,370)	(428)
	8,655	(6,333)	(2,194)
Total income tax expense	$21,814	$ 542	$ 6,528

Not included in the above table is income tax expense (benefit) of approximately $8.1 million, $3.7 million, and $13.2 million for 2002, 2001, and 2000, respectively, relating to unrealized gain (loss) on available for sale securities and tax benefits recognized with respect to stock options exercised, which were recorded directly in stockholders' equity.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

(In thousands)	DECEMBER 31 2002	2001
DEFERRED TAX ASSETS		
Allowance for loan and lease losses	$15,532	$17,140
Deferred compensation	3,887	2,873
Postretirement benefit obligation	1,672	1,437
Writedowns on corporate debt securities	2,123	2,868
Accrued severance and contract termination costs	142	1,097
Pension and executive retirement	-	311
Other real estate owned	86	193
Purchase accounting adjustments, net	100	223
Accrued liabilities	1,313	1,905
Alternate minimum tax credit carry forward	164	521
New York State tax credit carryforward	-	207
Intangible amortization	752	663
Capital loss carryforward	553	-
Net operating loss carryforward	154	-
Other	285	346
Total deferred tax assets	26,763	29,784
DEFERRED TAX LIABILITIES		
Pension and executive retirement	2,377	-
Premises and equipment, primarily due to accelerated depreciation	3,222	1,491
Equipment leasing	11,071	10,335
Securities discount accretion	630	600
Deferred loan costs	651	547
Tax bad debt reserve	114	302
Other	220	277
Undistributed income of subsidiaries	901	-
Total deferred tax liabilities	19,186	13,552
Net deferred tax asset at year-end	7,577	16,232
Net deferred tax asset at beginning of year	16,232	7,904
(Decrease) increase in net deferred tax asset	(8,655)	8,328
Net deferred tax assets acquired	-	1,995
Deferred tax benefit	$(8,655)	$ 6,333

The above table does not include the recorded deferred tax liability of $11.0 million as of December 31, 2002 and $2.6 million as of December 31, 2001 related to the net unrealized holding gain/loss in the available-for-sale securities portfolio.

Realization of deferred tax assets is dependent upon the generation of future taxable income or the existence of sufficient taxable income within the available carryback period. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax asset will not be realized. Based on available evidence, gross deferred tax assets will ultimately be realized and a valuation allowance was not deemed necessary at December 31, 2002 and 2001.

At December 31, 2002, the Company has Federal and state net operating loss carryforwards of $410,000 and

$292,000, respectively, which expire in 2021. At December 31, 2002 and 2001, the Company had alternative minimum tax credit carryforward of $164,000 and $521,000, respectively, which may be carried forward indefinitely. The utilization of the tax net operating loss and alternative minimum tax credit carryforwards is subject to limitations imposed by the Internal Revenue Code. The Company believes these limitations will not prevent the carryforward benefits from being realized. At December 31, 2002, the Company also has a capital loss carryforward of $1,436,000 which expires in 2007.

The following is a reconciliation of the provision for income taxes to the amount computed by applying the applicable Federal statutory rate of 35% to income before taxes:

	YEARS ENDED DECEMBER 31		
(In thousands)	2002	2001	2000
Federal income tax at statutory rate	$23,384	$ 1,498	$ 7,239
Tax exempt income	(2,493)	(2,475)	(2,677
Nondeductible expenses	122	400	274
Nondeductible merger expenses	-	1,419	2,122
Net increase in CSV of life insurance	(153)	(121)	(230)
Dividend received deduction	(177)	(142)	(139)
State taxes, net of federal tax benefit	1,428	66	264
Other, net	(297)	(103)	(325)
Income tax expense	$21,814	$ 542	$ 6,528

(14) STOCKHOLDERS' EQUITY

Certain restrictions exist regarding the ability of the subsidiary bank to transfer funds to the Company in the form of cash dividends. The approval of the Office of Comptroller of the Currency (OCC) is required to pay dividends when a bank fails to meet certain minimum regulatory capital standards or when such dividends are in excess of a subsidiary bank's earnings retained in the current year plus retained net profits for the preceding two years (as defined in the regulations). At December 31, 2002, approximately $9.8 million of the total stockholders' equity of the Bank was available for payment of dividends to the Company without approval by the OCC. The Bank's ability to pay dividends also is subject to the Bank being in compliance with regulatory capital requirements. The Bank is currently in compliance with these requirements. Under the State of Delaware Business Corporation Law, the Company may declare and pay dividends either out of accumulated net retained earnings or capital surplus.

In November 1994, the Company adopted a Stockholder Rights Plan (Plan) designed to ensure that any potential acquirer of the Company negotiate with the board of directors and that all Company stockholders are treated equitably in the event of a takeover attempt. At that time, 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. Under the Plan, the Rights will not be exercisable until a person or group acquires beneficial ownership of 20% or more of the Company's outstanding common stock, begins a tender or exchange offer for 25% or more of the Company's outstanding common stock, or an adverse person, as declared by the board of directors, acquires 10% 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 $0.01 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.

(15) REGULATORY CAPITAL REQUIREMENTS

Bancorp and NBT Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, NBT Bank must meet specific capital guidelines that involve quantitative measures of NBT Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the NBT Bank's to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 Capital to risk-weighted assets, and of Tier 1 capital to average assets. As of December 31, 2002 and 2001, the Company and NBT Bank meet all capital adequacy requirements to which they were subject.

Under their prompt corrective action regulations, regulatory authorities are required to take certain supervisory actions (and may take additional discretionary actions) with respect to an undercapitalized institution. Such actions could have a direct material effect on an institution's financial statements. The regulations establish a framework for the classification of banks into five categories: well capitalized, adequately capitalized, under capitalized, significantly under capitalized, and critically under capitalized. As of December 31, 2002, the most recent notification from NBT Bank's regulators categorized NBT Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized NBT Bank must maintain minimum total risk-based, Tier 1 risk-based, Tier 1 capital to average asset ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed NBT Bank's category.

The Company and NBT Bank's actual capital amounts and ratios are presented as follows:

(Dollars in thousands)	ACTUAL AMOUNT	RATIO	REGULATORY RATIO REQUIREMENTS MINIMUM CAPITAL ADEQUACY	FOR CLASSIFICATION AS WELL CAPITALIZED
AS OF DECEMBER 31, 2002				
TOTAL CAPITAL (TO RISK WEIGHTED ASSETS):				
COMPANY COMBINED	$275,954	11.18%	8.00%	10.00%
NBT BANK	270,435	11.12%	8.00%	10.00%
TIER I CAPITAL (TO RISK WEIGHTED ASSETS)				
COMPANY COMBINED	244,992	9.93%	4.00%	6.00%
NBT BANK	239,904	9.86%	4.00%	6.00%
TIER I CAPITAL (TO AVERAGE ASSETS)				
COMPANY COMBINED	244,992	6.73%	4.00%	5.00%
NBT BANK	239,904	6.62%	4.00%	5.00%
As of December 31, 2001				
Total capital (to risk weighted assets)				
Company combined	$259,316	10.69%	8.00%	10.00%
NBT Bank	253,401	10.54%	8.00%	10.00%
Tier I Capital (to risk weighted assets)				
Company combined	228,803	9.43%	4.00%	6.00%
NBT Bank	223,170	9.28%	4.00%	6.00%
Tier I Capital (to average assets)				
Company combined	228,803	6.34%	4.00%	5.00%
NBT Bank	223,170	6.24%	4.00%	5.00%

(16) EMPLOYEE BENEFIT PLANS

PENSION PLAN

The Company has a qualified, noncontributory, defined benefit pension plan covering substantially all of its employees at December 31, 2001. M. Griffith, Inc. and the former Pennstar (and its predecessors Lake Ariel and Pioneer Holding Company) did not provide for pension benefits to employees through January 1, 2001. As such, M. Griffith, Inc. and Pennstar employees are not included in this plan at December 31, 2000. M. Griffith, Inc. and Pennstar employees began to participate and accrue benefits under this plan as of January 1, 2001. No benefit credit was provided in the Company's plan for service with M. Griffith, Inc. and the former Pennstar (and its predecessors Lake Ariel or Pioneer Holding Company). Benefits paid from the plan are based on age, years of service, compensation, social security benefits, and are determined in accordance with defined formulas. The Company's policy is to fund the pension plan in accordance with ERISA standards. Assets of the plan are invested in publicly traded stocks and bonds. Prior to January 1, 2000, the Company's plan was a traditional defined benefit plan based on final average compensation. On January 1, 2000, the plan was converted to a cash balance plan with grandfathering provisions for existing participants.

Prior to December 31, 2001, the Company maintained two noncontributory defined benefit retirement plans, the NBT Bancorp Inc. Defined Benefit Pension Plan and the Central National Bank, Canajoharie Pension Plan. Effective December 31, 2001, the Company merged those two plans.

The net periodic pension expense and the funded status of the plan are as follows:

(In thousands)	YEARS ENDED DECEMBER 31		
	2002	2001	2000
COMPONENTS OF NET PERIODIC BENEFIT COST			
Service cost	$ 1,484	$ 1,968	$ 1,382
Interest cost	2,041	2,038	2,041
Expected return on plan assets	(2,549)	(2,703)	(2,790)
Amortization of initial unrecognized asset	(192)	(196)	(196)
Amortization of prior service cost	160	234	233
Amortization of unrecognized net gain	-	(23)	(117)
Net periodic pension cost	$ 944	$ 1,318	$ 553
CHANGE IN PROJECTED BENEFIT OBLIGATION			
Benefit obligation at beginning of year	$(31,846)	$(28,867)	$(27,364)
Service cost	(1,484)	(1,968)	(1,382)
Interest cost	(2,041)	(2,038)	(2,041)
Actuarial (loss) gain	(1,238)	(1,438)	(1,309)
Benefits paid	3,348	2,465	2,933
Prior service cost	1,319	-	296
Projected benefit obligation at end of year	$(31,942)	$(31,846)	$(28,867)
CHANGE IN PLAN ASSETS			
Fair value of plan assets at beginning of year	29,548	$ 28,666	$ 31,091
Actual return on plan assets	(1,598)	(814)	302
Employer contributions	8,000	3,950	-
Benefits paid	(3,348)	(2,465)	(2,933)
Actuarial gain due to measurement date prior to December 31	-	211	206
Fair value of plan assets at end of year	$ 32,602	$ 29,548	$ 28,666
Plan assets (less than) in excess of projected benefit obligation	$ 660	$ (2,298)	$ (201)
Unrecognized portion of net asset at transition	(1,172)	(1,364)	(1,560)
Unrecognized net actuarial loss (gain)	8,298	2,913	(1,854)
Unrecognized prior service cost	1,527	3,006	3,240
Prepaid (accrued) pension cost	$ 9,313	$ 2,257	$ (375)
WEIGHTED AVERAGE ASSUMPTIONS AS OF DECEMBER 31			
Discount rate	6.50%	7.00%	7.25%
Expected long-term return on plan assets	9.00%	9.00%	9.00%
Rate of compensation increase	4.00%	4.00%	4.00%

In addition to the Company's noncontributory defined benefit retirement and pension plan, the Company provides a supplemental employee retirement plans to certain current and former executives. The amount of the liabilities recognized in the Company's consolidated balance sheets associated with these plans was $7.1 million and $6.4 million at December 31, 2002 and 2001, respectively. The charges to expense with respect to these plans amounted to $1.0 million, $0.4 million, and $1.7 million for the years ended December 31, 2002, 2001, and 2000, respectively. The discount rate used in determining the actuarial present values of the projected benefit obligations was 6.50%, 7.00%, and 7.25%, at December 31, 2002, 2001, and 2000, respectively.

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The Company provides certain health care benefits for retired employees. Benefits are accrued over the employees' active service period. Only employees that were employed by NBT Bank on or before January 1, 2000 are eligible to receive postretirement health care

benefits. The plan is contributory for participating retirees, requiring participants to absorb certain deductibles and coinsurance amounts with contributions adjusted annually to reflect cost sharing provisions and benefit limitations called for in the plan. Employees become eligible for these benefits if they reach normal retirement age while working for the Company. The Company funds the cost of postretirement health care as benefits are paid. The Company elected to recognize the transition obligation on a delayed basis over twenty years.

The net postretirement health benefits expense and obligations (the plan is unfunded) are as follows:

(In thousands)	YEARS ENDED DECEMBER 31 2002	2001	2000
COMPONENTS OF NET PERIODIC BENEFIT COST			
Service cost	$ 221	$ 175	$ 199
Interest cost	454	300	304
Amortization of transition obligation	39	39	124
Amortization of (gains) and losses	141	31	(15)
Amortization of unrecognized prior service cost	(27)	(14)	-
Net periodic postretirement benefit cost	$ 828	$ 531	$ 612
CHANGE IN ACCUMULATED BENEFIT OBLIGATION			
Benefit obligation at beginning of the year	$ 5,399	$ 4,738	$ 3,959
Service cost	221	175	199
Interest cost	454	300	304
Plan participants' contributions	-	-	129
Actuarial loss (gain)	1,976	1,640	439
Amendments	(168)	(1,224)	-
Benefits paid	(366)	(230)	(292)
Accumulated benefit obligation at end of year	$ 7,516	$ 5,399	$ 4,738
COMPONENTS OF ACCRUED BENEFIT COST			
Accumulated benefit obligation at end of year	$(7,516)	$(5,399)	$(4,738)
Unrecognized transition obligation	101	139	1,196
Unrecognized prior service cost	(333)	(192)	-
Unrecognized actuarial net loss	3,912	2,077	468
Accrued benefit cost	$ (3,836)	$(3,375)	(3,074)
Weighted average discount rate	6.50%	7.00%	7.25%

The Company used a health care trend rate in calculating the postretirement cost of 9.0% during December 31, 2002, grading down uniformly to 5.0% for 2010 and thereafter.

Assumed health care cost trend rates have a significant effect on amounts reported for health care plans. A onepercentage point change in the health care trend rates would have the following effects as of and for the year ended December 31, 2002:

(IN THOUSANDS)	1-PERCENTAGE POINT INCREASE	1-PERCENTAGE POINT DECREASE
Effect on total service and interest cost components	$ 152	$ (122)
Effect on postretirement accumulated benefit obligation	1,391	(1,151)

EMPLOYEE 401(K) AND EMPLOYEE STOCK OWNERSHIP PLANS

At December 31, 2002, the Company maintains a 401(k) and employee stock ownership plan (the Plan). The Company contributes to the Plan based on employees' contributions out of their annual salary. In addition, the Company may also make discretionary contributions to the Plan based on profitability. Participation in the plan is contingent upon certain age and service requirements.

Through December 31, 2000, Pennstar maintained a profit-sharing plan and a 401(k) savings plan for employees of the former LA Bank, N.A. and maintained an ESOP and a savings and investment plan for employees of the former Pioneer American Bank, N.A. On January 1, 2001, these plans were merged into the Company's plan. CNB maintained a 401(k) plan. On January 1, 2002, the CNB plan was merged into the company's plan. The recorded expenses associated with these plans was $1.3 million in 2002, $0.8 million in 2001, and $1.7 million in 2000.

STOCK OPTION PLANS

The following is a summary of changes in options outstanding:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE OF EXERCISE PRICE OF OPTIONS UNDER THE PLANS
Balance at December 31, 1999	1,290,252	$ 13.73
Granted	515,369	13.67
Exercised	(277,880)	7.32
Lapsed	(49,917)	14.14
Balance at December 31, 2000	1,477,824	13.59
Granted	726,746	15.13
Exercised	(219,659)	8.92
Lapsed	(79,036)	15.83
Balance at December 31, 2001	1,905,875	14.61
Granted	497,670	14.40
Exercised	(170,661)	9.69
Lapsed	(40,661)	14.09
BALANCE AT DECEMBER 31, 2002	2,192,223	$ 14.96

The following table summarizes information concerning stock options outstanding at December 31, 2002:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (IN YEARS)	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
$4.01-8.50	30,696	1.99	$ 6.37	30,696	$ 6.37
8.51-13.00	406,614	4.75	10.67	387,413	10.68
13.01-17.50	1,367,641	8.12	15.17	446,918	15.42
17.51-22.00	387,272	5.86	19.39	331,069	19.33
$4.01-22.00	2,192,223	7.01	$ 14.96	1,196,096	$ 14.73

(17) COMMITMENTS AND CONTINGENT LIABILITIES

The Company's concentrations of credit risk are reflected in the consolidated balance sheets. The concentrations of credit risk with standby letters of credit, unused lines of credit, commitments to originate new loans and loans sold with recourse generally follow the loan classifications.

At December 31, 2002, approximately 62% of the Company's loans are secured by real estate located in central and northern New York and northeastern Pennsylvania. Accordingly, the ultimate collectibility of a substantial portion of the Company's portfolio is susceptible to changes in market conditions of those areas. Management is not aware of any material concentrations of credit to any industry or individual borrowers.

The Company is a party to certain financial instruments with off balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, unused lines of credit, standby letters of credit, and as certain mortgage loans sold to investors with recourse. The Company's exposure to credit loss in the event of nonperformance by the other party to the commitments to extend credit, unused lines of credit, standby letters of credit, and loans sold with recourse is represented by the contractual amount of those instruments. The Company uses the same credit standards in making commitments and conditional obligations as it does for on balance sheet instruments.

(In thousands)	AT DECEMBER 31 2002	2001
Unused lines of credit	$ 72,458	$ 58,315
Commitments to extend credits, primarily variable rate	336,665	285,130
Standby letters of credit	24,659	20,984
Loans sold with recourse	$ 15,022	$ 18,258

The total amount of loans serviced by the Company for unrelated third parties was approximately $77.2 million and $93.2 million at December 31, 2002 and 2001, respectively.

In the normal course of business there are various outstanding legal proceedings. In the opinion of management, the aggregate amount involved in such proceedings is not material to the consolidated balance sheets or results of operations of the Company.

In November 2002, the FASB issued FASB Interpretation No. 45 ("FIN No. 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others; an Interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB Interpretation No. 34." FIN No. 45 requires certain new disclosures and potential liability-recognition for the fair value at issuance of guarantees that fall within its scope. Under FIN No. 45, the Company does not issue any guarantees that would require liability-recognition or disclosure, other than its standby letters of credit.

The Company guarantees the obligations or performance of customers by issuing stand-by letters of credit to third parties. These stand-by letters of credit are frequently issued in support of third party debt, such as corporate debt issuances, industrial revenue bonds, and municipal securities. The risk involved in issuing stand-by letters of credit is essentially the same as the credit risk involved in extending loan facilities to customers, and they are subject to the same credit origination, portfolio maintenance and management procedures in effect to monitor other credit and off-balance sheet products. Typically, these instruments have terms of five years or less and expire unused; therefore, the total amounts do not necessarily represent future cash requirements.

(18) PARENT COMPANY FINANCIAL INFORMATION

CONDENSED BALANCE SHEETS

(In thousands)	DECEMBER 31 2002	2001
ASSETS		
Cash and cash equivalents	$ 5,038	$ 1,971
Securities available for sale, at estimated fair value	6,624	8,401
Investment in subsidiaries, on equity basis	305,080	279,725
Other assets	13,243	11,654
Total assets	$329,985	$301,751
LIABILITIES AND STOCKHOLDERS' EQUITY		
Total liabilities	$ 37,603	$ 35,396
Stockholders' equity	292,382	266,355
Total liabilities and stockholders' equity	$329,985	$301,751

CONDENSED STATEMENTS OF INCOME

	YEARS ENDED DECEMBER 31 2002	2001	2000
Gain on sale of building	$ 220	$ -	$ -
Dividends from subsidiaries	32,803	27,775	35,270
Management fee from subsidiaries	43,377	25,860	17,266
Interest and other dividend income	540	1,273	1,578
Net gain on sale of securities available for sale	341	294	151
	77,281	55,202	54,265
	44,513	41,535	36,374
Income before income tax (benefit) expense and (distributions in equity in excess of) undistributed income of subsidiaries	32,768	13,667	17,891
Income tax (benefit) expense	22	(3,907)	(5,738)
Equity in (distributions in excess of) undistributed income of subsidiaries	12,253	(13,837)	(9,475)
	$44,999	$ 3,737	$14,154

CONDENSED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)	2002	2001	2000
	YEARS ENDED DECEMBER 31		
OPERATING ACTIVITIES			
Net income	$ 44,999	$ 3,737	$ 14,154
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Net gains on sale of securities available for sale	(341)	(294)	(151)
Tax benefit from exercise of stock options	199	327	660
Distributions in excess of (equity in undistributed) income of subsidiaries	(12,253)	13,837	9,475
Other, net	3,058	4,354	2,242
Net cash provided by operating activities	35,662	21,961	26,380
INVESTING ACTIVITIES			
SECURITIES AVAILABLE FOR SALE			
Proceeds from sales	732	4,458	384
Purchases of securities available for sale	-	(390)	(1,742)
Purchases of premises and equipment	(1,582)	(2,603)	(4)
Net cash (used in) provided by investing activities	(850)	1,465	(1,362)
FINANCING ACTIVITIES			
Proceeds from the issuance of shares to employee benefit plans and other stock plans	1,583	2,046	507
Payment on long-term debt	(80)	(75)	(65)
Purchase of treasury shares	(10,803)	(11,126)	(1,680)
Cash dividends and payment for fractional shares	(22,445)	(20,127)	(18,447)
Net cash by (used in) financing activities	(31,745)	(29,282)	(19,685)
Net (decrease) increase in cash and cash equivalents	3,067	(5,856)	5,333
Cash and cash equivalents at beginning of year	1,971	7,827	2,494
Cash and cash equivalents at end of year	$ 5,038	$ 1,971	$ 7,827

(19) FAIR VALUES OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments.

SHORT TERM INSTRUMENTS

For short-term instruments, such as cash and cash equivalents, accrued interest receivable, accrued interest payable, and short term borrowings, carrying value approximates fair value.

SECURITIES

Fair values for securities are based on quoted market prices or dealer quotes, where available. Where quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

LOANS

For variable rate loans that reprice frequently and have no significant credit risk, fair values are based on carrying values. The fair values for fixed rate loans are estimated

through discounted cash flow analysis using interest rates currently being offered for loans with similar terms and credit quality. Nonperforming loans are valued based upon recent loss history for similar loans.

DEPOSITS

The fair values disclosed for savings, money market, and noninterest bearing accounts are, by definition, equal to their carrying values at the reporting date. The fair value of fixed maturity time deposits is estimated using a discounted cash flow analysis that applies interest rates currently offered to a schedule of aggregated expected monthly maturities on time deposits.

LONG-TERM DEBT

The fair value of long-term debt has been estimated using discounted cash flow analysis that applies interest rates currently offered for notes with similar terms.

COMMITMENTS TO EXTEND CREDIT AND STANDBY LETTERS OF CREDIT

The fair value of commitments to extend credit and standby letters of credit are estimated using fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present credit worthiness of the counterparties. Carrying amounts, which are comprised of the unamortized fee income, are not significant.

GUARANTEED PREFERRED BENEFICIAL INTERESTS IN COMPANY'S JUNIOR SUBORDINATED DEBENTURES

Given the variable rate nature of this financial instrument, the carrying value approximates fair value.

Estimated fair values of financial instruments at December 31 are as follows:

	2002		2001	
(In thousands)	CARRYING AMOUNT	ESTIMATED FAIR VALUE	Carrying amount	Estimated fair value
FINANCIAL ASSETS				
Cash and cash equivalents	$ 124,623	$ 124,623	$ 129,957	$ 129,957
Trading securities	203	203	126	126
Securities available for sale	1,007,583	1,007,583	909,341	909,341
Securities held to maturity	82,514	84,517	101,604	101,495
Loans (1)	2,355,932	2,423,172	2,339,636	2,399,044
Less allowance for loan losses	40,167	-	44,746	-
Net loans	2,315,765	2,423,172	2,294,890	2,399,044
Accrued interest receivable	$ 16,885	$ 16,885	$ 18,152	$ 18,152
FINANCIAL LIABILITIES				
DEPOSITS				
INTEREST BEARING				
Savings, NOW, and money market	$1,183,603	$ 1,183,603	$1,097,156	$ 1,097,156
Time deposits	1,289,236	1,301,742	1,387,049	1,400,996
Noninterest bearing	449,201	449,201	431,407	431,407
Short-term borrowings	105,601	105,601	122,013	122,013
Long-term debt	345,476	374,751	272,331	282,426
Accrued interest payable	8,333	8,333	13,145	13,145
Guaranteed preferred beneficial interests in company's junior subordinated debentures	$ 17,000	$ 17,000	$ 17,000	$ 17,000

(1) LEASE RECEIVABLES, ALTHOUGH EXCLUDED FROM THE SCOPE OF SFAS NO. 107, ARE INCLUDED IN THE ESTIMATED FAIR VALUE AMOUNTS AT THEIR CARRYING AMOUNTS.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on and off-balance-sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. For example, the Company has a substantial trust and investment management operation that contributes net fee income annually. The trust and investment management operation is not considered a financial instrument, and its value has not been incorporated into the fair value estimates. Other significant assets and liabilities include the benefits resulting from the low-cost funding of deposit liabilities as compared to the cost of borrowing funds in the market, and premises and equipment. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimate of fair value.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required is incorporated herein by reference from the Company's definitive Proxy Statement for its annual meeting of shareholders to be held on May 1, 2003 (the "Proxy Statement"), which will be filed with the Securities and Exchange Commission within 120 days of the Company's 2002 fiscal year end.

ITEM 11. EXECUTIVE COMPENSATION

The information required is incorporated herein by reference from the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT EQUITY COMPENSATION PLAN INFORMATION

As of December 31, 2002, the following table summarizes the Company's equity compensation plans:

PLAN CATEGORY	A. NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS	B. WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS (EXCLUDING SECURITIES REFLECTED IN COLUMN A.
EQUITY COMPENSATION PLANS APPROVED BY STOCKHOLDERS	2,192,223	$ 14.96	2,908,784
EQUITY COMPENSATION PLANS NOT APPROVED BY STOCKHOLDERS	NONE	NONE	NONE

The remaining information required is incorporated herein by reference from the Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required is incorporated herein by reference from the Proxy Statement.

ITEM 14. CONTROLS AND PROCEDURES

The Company's management, including the Company's Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-14(c) under the Securities Exchange Act of 1934, as amended) as of a date (the "Evaluation Date") within 90 days prior to the filing date of this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures were effective in timely alerting them to any material information relating to the Company and its subsidiaries required to be included in the Company's periodic SEC filings.

There were no significant changes made in the Company's internal controls or in other factors that that could significantly affect these internal controls subsequent to the date of the evaluation performed by the Company's Chief Executive Officer and Chief Financial Officer.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a)(1) EXHIBIT INDEX The following exhibits are either filed as part of this annual report on Form 10-K or, are incorporated herein by reference.

Independent Auditors' Report.

Consolidated Balance Sheets as of December 31, 2002 and 2001.

Consolidated Statements of Income for each of the three years ended December 31, 2002, 2001 and 2000.

Consolidated Statements of Changes in Stockholders' Equity for each of the three years ended December 31, 2002, 2001 and 2000.

Consolidated Statements of Cash Flows for each of the three years ended December 31, 2002, 2001 and 2000.

Consolidated Statements of Comprehensive Income for each of the three years ended December 31, 2002, 2001 and 2000.

Notes to the Consolidated Financial Statements.

(a)(2) There are no financial statement schedules that are required to be filed as part of this form since they are not applicable or the information is included in the consolidated financial statements.

(a)(3) See (c) below for all exhibits filed herewith and the Exhibit Index.

(b) Reports on Form 8-K

None

(c) Exhibits. The following exhibits are either filed as part of this annual report on Form 10-K, or are incorporated herein by reference:

3.1 Certificate of Incorporation of NBT Bancorp Inc. as amended through July 23, 2001 (filed as Exhibit

3.1 to Registrant's Form 10-K for the year ended December 31, 2001, filed on March 29, 2002 and incorporated herein by reference).

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

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

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

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

10.1 NBT Bancorp Inc. 401(K) and Employee Stock Ownership Plan made as of January 1, 2001 (filed as Exhibit 10.1 to Registrant's Form 10-K for the year ended December 31, 2000, filed on March 29, 2001 and incorporated by reference herein).

10.2 First Amendment to the NBT Bancorp Inc. 401(k) and Employee Stock Ownership Plan effective July 2, 2001. (filed as Exhibit 10.2 to Registrant's Form 10-K for the year ended December 31, 2001, filed on March 29, 2002 and incorporated herein by reference).

10.3 Second Amendment to the NBT Bancorp Inc. 401(k) and Employee Stock Ownership Plan effective July 2, 2001. (filed as Exhibit 10.3 to Registrant's Form 10-K for the year ended December 31, 2001, filed on March 29, 2002 and incorporated herein by reference).

10.4 Third Amendment to the NBT Bancorp Inc. 401(k) and Employee Stock Ownership Plan effective January 1, 2002. (filed as Exhibit 10.4 to Registrant's Form 10-K for the year ended December 31, 2001, filed on March 29, 2002 and incorporated herein by reference).

10.5 Fourth Amendment to the NBT Bancorp Inc. 401(k) and Employee Stock Ownership Plan effective January 1, 2002. (filed as Exhibit 10.5 to Registrant's Form 10-K for the year ended December 31, 2001, filed on March 29, 2002 and incorporated herein by reference).

10.6 Fifth Amendment to the NBT Bancorp Inc. 401(k) and Employee Stock Ownership Plan effective January 1, 2002. (filed as Exhibit 10.6 to Registrant's Form 10-K for the year ended December 31, 2001, filed on March 29, 2002 and incorporated herein by reference).

10.7 NBT Bancorp Inc. Defined Benefit Pension Plan, Amended and Restated Effective as of January 1, 2000 (filed as Exhibit 10.2 to Registrant's Form 10-K for the year ended December 31, 2000, filed on March 29, 2001 and incorporated by reference herein).

10.8 Amendment Number One to NBT Bancorp Inc. Defined Benefit Pension Plan effective December 31,

2001. (filed as Exhibit 10.8 to Registrant's Form 10-K for the year ended December 31, 2001, filed on March 29, 2002 and incorporated herein by reference).

10.9 Amendment Number Two to NBT Bancorp Inc. Defined Benefit Pension Plan effective January 1, 2002.

10.10 Amendment Number Three to NBT Bancorp Inc. Defined Benefit Pension Plan effective January 1, 2002.

10.11 NBT Bancorp Inc. 1993 Stock Option Plan (filed as Exhibit 99.1 to Registrant's Form S-8 Registration Statement, file number 333-71830 filed on October 18, 2001 and incorporated by reference herein).

10.12 NBT Bancorp Inc. Non-Employee Director, Divisional Director and Subsidiary Director Stock Option Plan (filed as Exhibit 99.1 to Registrant's Form S-8 Registration Statement, file number 333-73038 filed on November 9, 2001 and incorporated by reference herein).

10.13 NBT Bancorp Inc. Employee Stock Purchase Plan. (filed as Exhibit 10.11 to Registrant's Form 10-K for the year ended December 31, 2001, filed on March 29, 2002 and incorporated herein by reference).

10.14 NBT Bancorp Inc. Directors Restricted Stock Plan (filed as Exhibit 99.1 to Registrant's Form S-8 Registration Statement, file number 333-72772 filed on November 5, 2001, and incorporated by reference herein).

10.15 NBT Bancorp Inc. 2003 Executive Incentive Compensation Plan.

10.16 Change in control agreement with Daryl R. Forsythe made as of February 21, 1995 and revised on July 23, 2001 (filed as Exhibit 10.4 to the Registrant's Form 10-Q for the quarterly period ended September 30, 2001, filed on November 14, 2001 and incorporated herein by reference).

10.17 Form of Employment Agreement between NBT Bancorp Inc. and Daryl R. Forsythe made as of January 1, 2002. (filed as Exhibit 10.15 to Registrant's Form 10-K for the year ended December 31, 2001, filed on March 29, 2002 and incorporated herein by reference).

10.18 Supplemental Retirement Agreement between NBT Bancorp Inc., NBT Bank, National Association and Daryl R. Forsythe as Amended and Restated Effective January 28, 2002. (filed as Exhibit 10.16 to Registrant's Form 10-K for the year ended December 31, 2001, filed on March 29, 2002 and incorporated herein by reference).

10.19 Death Benefits Agreement between NBT Bancorp Inc., NBT Bank, National Association and Daryl R. Forsythe made August 22, 1995 (filed as Exhibit 10.8 to Registrant's Form 10-K for the year ended December 31, 2000, filed on March 29, 2001 and incorporated herein by reference).

10.20 Amendment dated January 28, 2002 to Death Benefits Agreement between NBT Bancorp Inc., NBT Bank, National Association and Daryl R. Forsythe made August 22, 1995. (filed as Exhibit 10.18 to Registrant's Form 10-K for the year ended December 31, 2001, filed on March 29, 2002 and incorporated herein by reference).

10.21 Split-Dollar Agreement between NBT Bancorp Inc., NBT Bank, National Association and Daryl R. Forsythe made January 25, 2002.

10.22 Wage Continuation Plan between NBT Bancorp Inc., NBT Bank, National Association and Daryl R. Forsythe made as of August 1, 1995 (filed as Exhibit 10.9 to Registrant's Form 10-K for the year ended December 31, 2000, filed on March 29, 2001 and incorporated herein by reference).

10.23 Form of Employment Agreement between NBT Bancorp Inc. and Martin A. Dietrich made as of January 1, 2002. (filed as Exhibit 10.21 to Registrant's Form 10-K for the year ended December 31, 2001, filed on March 29, 2002 and incorporated herein by reference).

10.24 Supplemental Executive Retirement Agreement between NBT Bancorp Inc. and Martin A. Dietrich

made as of July 23, 2001(filed as Exhibit 10.13 to Registrant's Form 10-Q for the quarterly period ended September 30, 2001, filed on November 14, 2001 and incorporated herein by reference).

10.25 Change in control agreement with Martin A. Dietrich dated January 2, 1997 and revised on July 23, 2001 (filed as Exhibit 10.3 to Registrant's Form 10-Q for the quarterly period ended September 30, 2001, filed on November 14, 2001 and incorporated herein by reference).

10.26 Form of Employment Agreement between NBT Bancorp Inc. and Michael J. Chewens made as of January 1, 2002. (filed as Exhibit 10.24 to Registrant's Form 10-K for the year ended December 31, 2001, filed on March 29, 2002 and incorporated herein by reference).

10.27 Supplemental Executive Retirement Agreement between NBT Bancorp Inc. and Michael J. Chewens made as of July 23, 2001 (filed as Exhibit 10.12 to Registrant's Form 10-Q for the quarterly period ended September 30, 2001, filed on November 14, 2001 and incorporated by reference herein).

10.28 Change in control agreement with Michael J. Chewens dated January 1, 1998 and revised on July 23, 2001 (filed as Exhibit 10.1 to Registrant's Form 10-Q for the quarterly period ended September 30, 2001, filed on November 14, 2001 and incorporated herein by reference).

10.29 Form of Employment Agreement between NBT Bancorp Inc. and David E. Raven made as of January 1, 2002. (filed as Exhibit 10.27 to Registrant's Form 10-K for the year ended December 31, 2001, filed on March 29, 2002 and incorporated herein by reference).

10.30 Change in control agreement with David E. Raven dated January 1, 1998 and revised on July 23, 2001 (filed as Exhibit 10.7 to Registrant's Form 10-Q for the quarterly period ended September 30, 2001, filed on November 14, 2001 and incorporated by reference herein).

10.31 Form of Employment Agreement between NBT Bancorp Inc. and Lance D. Mattingly made as of January 1, 2002. (filed as Exhibit 10.29 to Registrant's Form 10-K for the year ended December 31, 2001, filed on March 29, 2002 and incorporated herein by reference).

10.32 Change in control agreement with Lance D. Mattingly dated July 23, 2001 (filed as Exhibit 10.5 to Registrant's Form 10-Q for the quarterly period ended September 30, 2001, filed on November 14, 2001 and incorporated by reference herein).

10.33 Change in control agreement with Tom Delduchetto dated January 28, 2002 (filed as Exhibit 10.33 to Registrant's Form 10-K for the year ended December 31, 2001, filed on March 29, 2002 and incorporated herein by reference).

10.34 NBT Bancorp Inc. and Subsidiaries Master Deferred Compensation Plan of Directors, adopted February 11, 1992 (filed as Exhibit 10.9 to Registrant's Form 10-K for the year ended December 31, 2000, filed on March 29, 2001 and incorporated herein by reference).

10.35 Agreement and Plan of Merger among NBT Bancorp Inc., NBT Bank, National Association, CNB Financial Corp. and Central National Bank, Canajoharie dated as of June 19, 2001 (filed as Appendix A to Registrant's Form S-4/A Registration Statement, file number 333-66472, filed on August 27, 2001, and incorporated by reference herein).

21 A list of the subsidiaries of the Registrant.

23 Consent of KPMG LLP.

99.1 Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

99.2 Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, NBT Bancorp Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NBT BANCORP INC. (Registrant)
March 24, 2003

/S/ Daryl R. Forsythe

Daryl R. Forsythe
Chairman, President and Chief
Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/S/ Daryl R. Forsythe

Daryl R. Forsythe
President, Chief Executive Officer
and Chairman (Principal Executive Officer)
Date: March 24, 2003

/S/ Michael J. Chewens

Michael J. Chewens
Chief Financial Officer (Principal
Financial Officer)
Date: March 24, 2003

/S/ John C. Mitchell

John C. Mitchell,
Director
Date: March 24, 2003

/S/ William L. Owens

William L. Owens,
Director
Date: March 24, 2003

/S/ Joseph G. Nasser

Joseph G. Nasser,
Director
Date: March 24, 2003

/S/ Van Ness D. Robinson

Van Ness D. Robinson,
Director
Date: March 24, 2003

/S/ Gene E. Goldenziel

Gene E. Goldenziel,
Director
Date: March 24, 2003

/S/ Joseph A. Santangelo

Joseph A. Santangelo,
Director
Date: March 24, 2003

/S/ Peter B. Gregory

Peter B. Gregory,
Director
Date: March 24, 2003

/S/ Paul O. Stillman

Paul O. Stillman,
Director
Date: March 24, 2003

/S/ William C. Gumble

William C. Gumble,
Director
Date: March 24, 2003

/S/ Janet H. Ingraham

Janet H. Ingraham,
Director
Date: March 24, 2003

/S/ Michael Hutcherson

Michael Hutcherson,
Director
Date: March 24, 2003

/S/ Paul Horger

Paul Horger,
Director
Date: March 24, 2003

/S/ Richard Chojnowski

Richard Chojnowski,
Director
Date: March 24, 2003

/S/ Andrew S. Kowalczyk, Jr

Andrew S. Kowalczyk, Jr.,
Director
Date: March 24, 2003

/S/ Michael Murphy

Michael Murphy,
Director
Date: March 24, 2003

CERTIFICATION

I, Daryl R. Forsythe, certify that:

1. I have reviewed this annual report on Form 10-K of NBT Bancorp Inc.
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
   a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
   c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
   a) All significant deficiencies in the design or operations of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 24, 2003

/S/ Daryl R. Forsythe
- --
Daryl R. Forsythe
Chairman and Chief Executive Officer

CERTIFICATION

I, Michael J. Chewens, certify that:

1. I have reviewed this annual report on Form 10-K of NBT Bancorp Inc.
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
   a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
   c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
   a) All significant deficiencies in the design or operations of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 24, 2003

/S/ Michael J. Chewens

- ---

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

Exhibit 10.9

Amendment Number Two to NBT Bancorp Inc. Defined Benefit Pension Plan effective January 1, 2002.

AMENDMENT #2 TO

NBT BANCORP INC.
DEFINED BENEFIT PENSION PLAN

Pursuant to Article 14.1 of the NBT Bancorp Inc. Defined Benefit Pension Plan ("the Plan") as amended and restated effective January 1, 2000, which provides for the amendment thereof when necessary, the Plan is hereby amended effective January 1, 2002, as follows:

ADD THE FOLLOWING NEW SECTION 1.32.1:

"Opening Account Balance" means the initial bookkeeping account established as hereinafter provided as of January 1, 2002 with respect to an Employee who was a Participant in the Central National Bank, Canajoharie Pension Plan ("CNB Plan") as of December 31, 2001, when the CNB Plan merged with the Plan, and who became a Participant in the Plan in accordance with Section 2.1(b) as of January 1, 2002. Such Opening Account Balance shall equal the product of (a) and (b) below:

(a) A lump sum amount equal to the "Actuarial Equivalent" lump sum present value at January 1, 2002 of the Employee's "Accrued Benefit" as of December 30, 2001;

(b) The applicable percentage specified below, based upon the Employee's attained age and Years of Eligibility Service as of January 1, 2002:

Years of Eligibility Service at January 1, 2002

Attained Age at January 1, 2002	Fewer Than 5	5 to 10	More Than 10
30 or Less	100%	100%	100%
31 - 40	100%	105%	105%
41 - 55	100%	105%	110%
Over 55	100%	105%	105%

For purposes of this Section 1.32.1, the terms "Actuarial Equivalent" and "Accrued Benefit" shall have the same meanings as such terms are defined in the CNB Plan, the terms of which are herein incorporated with respect to the benefits accrued there under as of December 30, 2001.

ADD THE FOLLOWING NEW SUBPARAGRAPH (C) TO SECTION 3.1:

(c) When an Account is initially established for an Eligible Employee who was a participant in the CNB Plan on December 31, 2001 and who became a Participant as of January 1, 2002 in accordance with Section 2.1(b), such Participant's Account shall be credited with an Opening Account Balance as of January 1, 2002 in accordance with Section 1.32.1.

ADD THE FOLLOWING NEW SECTION 7.10:

7.10 Protected Benefits from CNB Plan

Notwithstanding any provision contained herein to the contrary, a Participant who was also a participant in the CNB Plan on December 31, 2001 shall be entitled to receive a benefit from the Plan that is no less than the Participant's Accrued Benefit in the CNB Plan on December 30, 2001. Furthermore, such Participant shall be entitled to receive his Accrued Benefit from the CNB Plan at such time and in such manner as provided for under the CNB Plan, including all optional forms of payment.

The Employer consents to the foregoing amendment; and except as herein amended, the Plan is hereby ratified and confirmed.

NBT Bancorp Inc.

By: /S/ Thomas Delduchetto
Employer

Date: 10/28/02

Exhibit 10.10

Amendment Number Three to NBT Bancorp Inc. Defined Benefit Pension Plan effective January 1, 2002.

Amendment #3 to

NBT BANCORP INC.
DEFINED BENEFIT PENSION PLAN

AMENDMENT OF THE PLAN FOR EGTRRA,
REVENUE RULING 2001-62 AND REVENUE PROCEDURE 2002-29

Pursuant to Article 14.1 of the NBT Bancorp Inc. Defined Benefit Pension Plan (the "Plan") as amended and restated effective January 1, 2000, which provides for the amendment thereof when necessary, the Plan is hereby for EGTRRA, Revenue Ruling 2001-62 and Revenue Procedure 2002-29 as follows:

ARTICLE I
PREAMBLE

1.1 Adoption and effective date of amendment. This amendment of the Plan is adopted to reflect certain provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), the model amendment of Revenue Ruling 2001-62 and the model amendment of Revenue Procedure 2002-29. This amendment is intended as good faith compliance with the requirements of EGTRRA, the model amendment of Revenue Ruling 2001-62 and the model amendment of Revenue Procedure 2002-29 and is to be construed in accordance with EGTRRA, the model amendment of Revenue Ruling 2001-62 and the model amendment of Revenue Procedure 2002-29 and guidance issued thereunder. Except as otherwise provided, this amendment shall be effective as of the first day of the first Plan Year beginning after December 31, 2001.

1.2 Supersession of inconsistent provisions. This amendment shall supersede the provisions of the Plan to the extent those provisions are inconsistent with the provisions of this amendment.

1.3 Application to Appendix A Plan. This amendment shall also apply to the provisions of the Plan known as the Appendix A Plan, which portion of the Plan governs the benefits of certain Participants who elected to remain covered under such provisions prior to the Plan's conversion to an Account Balance Plan.

ARTICLE II
LIMITATIONS ON BENEFITS

2.1 Effective date. This Article shall be effective for "limitation years" ending after December 31, 2001.

2.2 Effect on Participants. Benefit increases resulting from the increase in the limitations of Code Section 415(b) will be provided to all Employees participating in the Plan who have one Hour of Service on or after the first day of the first "limitation year" ending after December 31, 2001.

2.3 Definitions.

(a) Defined benefit dollar limitation. The defined benefit dollar limitation is $160,000, as adjusted, effective January 1 of each year, under Code Section 415(d) in such manner as the Secretary shall prescribe, and payable in the form of a straight life annuity. A limitation as adjusted under Code Section 415(d) will apply to "limitation years" ending with or within the calendar year for which the adjustment applies.

(b) Maximum permissible benefit. The maximum permissible benefit is the lesser of the defined benefit dollar limitation or the defined benefit compensation limitation (both adjusted where required, as provided in (1) and, if applicable, in (2) or (3) below).

(1) If the Participant has fewer than 10 years of participation in the Plan, the defined benefit dollar limitation shall be multiplied by a fraction, (i) the numerator of which is the number of years (or part thereof) of participation in the Plan and (ii) the denominator of which is 10. In the case of a Participant who has fewer than 10 years of service with the employer, the defined benefit compensation limitation shall be multiplied by a fraction, (i) the numerator of which is the number of years (or part thereof) of service with the employer and (ii) the denominator of which is 10.

(2) If the benefit of a Participant begins prior to age 62, the defined benefit dollar limitation applicable to the Participant at such earlier age is an annual benefit payable in the form of a straight life annuity beginning at the earlier age that is the actuarial equivalent of the defined benefit dollar limitation applicable to the Participant at age 62 (adjusted under (1) above, if required). The defined benefit dollar limitation applicable at an age prior to age 62 is determined as the lesser of (i) the actuarial equivalent (at such age) of the defined benefit dollar limitation computed using the interest rate and mortality table (or other tabular factor) specified in Exhibit I of the Plan or Section 2.03 of the Appendix A Plan, as

applicable, and (ii) the actuarial equivalent (at such age) of the defined benefit dollar limitation computed using a 5 percent interest rate and the applicable mortality table as defined in Exhibit I of the Plan or Section 2.03 of the Appendix A Plan, as applicable. Any decrease in the defined benefit dollar limitation determined in accordance with this paragraph (2) shall not reflect a mortality decrement if benefits are not forfeited upon the death of the Participant. If any benefits are forfeited upon death, the full mortality decrement is taken into account.

(3) If the benefit of a Participant begins after the Participant attains age 65, the defined benefit dollar limitation applicable to the Participant at the later age is the annual benefit payable in the form of a straight life annuity beginning at the later age that is actuarially equivalent to the defined benefit dollar limitation applicable to the Participant at age 65 (adjusted under (1) above, if required). The actuarial equivalent of the defined benefit dollar limitation applicable at an age after age 65 is determined as (i) the lesser of the actuarial equivalent (at such age) of the defined benefit dollar limitation computed using the interest rate and mortality table (or other tabular factor) specified in Exhibit I of the Plan or Section 2.03 of the Appendix A Plan, as applicable, and (ii) the actuarial equivalent (at such age) of the defined benefit dollar limitation computed using a 5 percent interest rate assumption and the applicable mortality table as defined in Exhibit I of the Plan or Section 2.03 of the Appendix A Plan, as applicable. For these purposes, mortality between age 65 and the age at which benefits commence shall be ignored.

ARTICLE III
MODIFICATION OF TOP-HEAVY RULES

3.1 Effective date. This Article shall apply for purposes of determining whether the Plan is a Top Heavy plan under Code Section 416(g) for Plan Years beginning after December 31, 2001, and whether the Plan satisfies the minimum benefits requirements of Code Section 416(c) for such years. This Article amends Article XV of the Plan and Article XV of the Appendix A Plan.

3.2 Determination of top-heavy status.

(a) Key Employee. Key Employee means any Employee or former Employee (including any deceased Employee) who at any time during the Plan Year that includes the determination date was an officer of the Employer having annual Compensation greater than $130,000 (as adjusted under Code Section 416(i)(1) for Plan Years beginning after December 31, 2002), a 5-percent owner of the Employer, or a 1-percent owner of the Employer having annual Compensation of more than $150,000. For this purpose, annual Compensation means compensation within the meaning of Code Section 415(c)(3). The determination of who is a Key Employee will be made in accordance with Code Section 416(i)(1) and the applicable regulations and other guidance of general applicability issued thereunder.

(b) Determination of present values and amounts. This section (b) shall apply for purposes of determining the present values of accrued benefits and the amounts of account balances of Employees as of the determination date.

(1) Distributions during year ending on the determination date. The present values of accrued benefits and the amounts of account balances of an Employee as of the determination date shall be increased by the distributions made with respect to the Employee under the Plan and any plan aggregated with the Plan under Code Section 416(g)(2) during the 1-year period ending on the determination date. The preceding sentence shall also apply to distributions under a terminated plan which, had it not been terminated, would have been aggregated with the Plan under Code Section 416(g)(2)(A)(i). In the case of a distribution made for a reason other than separation from service, death, or disability, this provision shall be applied by substituting "5-year period" for "1-year period."

(2) Employees not performing services during year ending on the determination date. The accrued benefits and accounts of any individual who has not performed services for the Employer during the 1-year period ending on the determination date shall not be taken into account.

3.3 Minimum benefits. For purposes of satisfying the minimum benefit requirements of Code Section 416(c)(1) and the Plan, in determining years of service with the Employer, any service with the Employer shall be disregarded to the extent that such service occurs during a Plan Year when the Plan benefits (within the meaning of Code Section 410(b)) no Key Employee or former Key Employee.

ARTICLE IV
DIRECT ROLLOVERS OF PLAN DISTRIBUTIONS

4.1 Effective date. This Article shall apply to distributions made after December 31, 2001.

4.2 Modification of definition of eligible retirement plan. For purposes of the direct rollover provisions in Section 7.9(b) of the Plan and Section 9.08(b)(ii) of the Appendix A Plan, an eligible retirement plan shall also mean an annuity contract described in Code Section 403(b) and an eligible plan under Code Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan. The definition of eligible retirement plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relation order, as defined in Code Section 414(p).

ARTICLE V
MODEL AMENDMENT UNDER REVENUE RULING 2001-62
APPLICABLE MORTALITY TABLE

5.1 Effective date. This Article shall apply to distributions with Annuity Starting Dates on or after January 1, 2003.

5.2 Notwithstanding any other Plan provisions to the contrary, the Applicable Mortality Table used for purposes of adjusting any benefit or limitation under Code Section 415(b)(2)(B), (C), or (D) as set forth in Section 9.1 of the Plan or Section 12.02 of the Appendix A Plan, as applicable, and the Applicable Mortality Table used for purposes of satisfying the requirements of Code Section 417(e) as set forth in Exhibit I of the Plan or Section 2.03 of the Appendix A Plan, as applicable, is the table prescribed in Rev. Rul. 2001-62.

5.3 For any distribution with an Annuity Starting Date on or after the effective date of this Article and before the adoption date of this Article, if application of the amendment as of the Annuity Starting Date would have caused a reduction in the amount of any distribution, such reduction is not reflected in any payments made before the adoption date of this Article. However, the amount of any such reduction that is required under Code Section 415(b)(2)(B) must be reflected actuarially over any remaining payments to the Participant.

ARTICLE VI
MODEL AMENDMENT UNDER REVENUE PROCEDURE 2002-29
MINIMUM DISTRIBUTION REQUIREMENTS

6.1 General Rules.

(a) Effective Date. The provisions of this Article will apply for purposes of determining required minimum distributions for calendar years beginning with the 2003 calendar year.

(b) Coordination with Minimum Distribution Requirements Previously in Effect. If the total amount of 2002 required minimum distributions under the Plan made to the distributee prior to the effective date of this Article equals or exceeds the required minimum distributions determined under this Article, then no additional distributions will be required to be made for 2002 on or after such date to the distributee. If the total amount of 2002 required minimum distributions under the Plan made to the distributee prior to the effective date of this Article is less than the amount determined under this Article, then required minimum distributions for 2002 on and after such date will be determined so that the total amount of required minimum distributions for 2002 made to the distributee will be the amount determined under this Article.

(c) Precedence. The requirements of this Article will take precedence over any inconsistent provisions of the Plan.

(d) Requirements of Treasury Regulations Incorporated. All distributions required under this Article will be determined and made in accordance with the Treasury regulations under Code Section 401(a)(9).6.1(d) p.13

(e) TEFRA Section 242(b)(2) Elections. Notwithstanding the other provisions of this Article, other than Section 6.1(d), distributions may be made under a designation made before January 1, 1984, in accordance with section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act (TEFRA) and the provisions of the Plan that relate to section 242(b)(2) of TEFRA.

6.2 Time and Manner of Distribution.

(a) Required Beginning Date. The Participant's entire interest will be distributed, or begin to be distributed, to the Participant no later than the Participant's required beginning date.

(b) Death of Participant Before Distributions Begin. If the Participant dies before distributions begin, the Participant's Pre-Retirement Survivor Annuity interest will be distributed, or begin to be distributed, no later than as follows:6.2(b) p.13

(1) If the Participant's surviving spouse is the Participant's sole designated Beneficiary, then distributions to the surviving spouse will begin by December 31st of the calendar year immediately following the calendar year in which the Participant died, or by December 31st of the calendar year in which the Participant would have attained age 70 1/2, if later.6.2(b)(1) p.13

(2) If the Participant's surviving spouse is the Participant's sole designated Beneficiary and the surviving spouse dies after the Participant but before distributions to the surviving spouse begin, this Section 6.2(b) will not apply.6.2(b)(2) p.13

For purposes of this Section 6.2(b) and Section 6.5, distributions are considered to begin on the Participant's required beginning date (or, if Section 6.2(b)(2) applies, the date distributions are required to begin to the surviving spouse under Section 6.2(b)(1)). If annuity payments irrevocably commence to the Participant before the Participant's required beginning date (or to the Participant's surviving spouse before the date distributions are required to begin to the surviving spouse under Section 6.2(b)(1)), the date distributions are considered to begin is the date distributions actually commence.

(c) Form of Distribution. Unless the Participant's interest is distributed in the form of an annuity purchased from an insurance company or in a single sum on or before the required beginning date, as of the first distribution calendar year distributions will be made in accordance with Sections 6.3, 6.4 and 6.5 of this Article. If the Participant's interest is distributed in the form of an annuity purchased from an insurance company, distributions thereunder will be made in accordance with the requirements of Code Section 401(a)(9) and the Treasury regulations. Any part of the Participant's interest which is in the form of an individual account described in Code Section 414(k) will be distributed in a manner satisfying the requirements of Code Section 401(a)(9) and the Treasury regulations that apply to individual accounts.

6.3 Determination of Amount to be Distributed Each Year.6.3 p.14

(a) General Annuity Requirements. If the Participant's interest is paid in the form of annuity distributions under the Plan, payments under the annuity will satisfy the following requirements:

(1) the annuity distributions will be paid in periodic payments made at intervals not longer than one year;

(2) the distribution period will be over a life (or lives) or over a period certain not longer than the period described in Section 6.4 or 6.5;

(3) once payments have begun over a period certain, the period certain will not be changed even if the period certain is shorter than the maximum permitted;

(4) payments will either be nonincreasing or increase only as follows:

(i) by an annual percentage increase that does not exceed the annual percentage increase in a cost-of-living index that is based on prices of all items and issued by the Bureau of Labor Statistics;

(ii) to the extent of the reduction in the amount of the Participant's payments to provide for a survivor benefit upon death, but only if the Beneficiary whose life was being used to determine the distribution period described in Section 6.4 dies or is no longer the Participant's Beneficiary pursuant to a qualified domestic relations order within the meaning of Code Section 414(p);

(iii) to provide cash refunds of Employee contributions upon the Participant's death; or

(iv) to pay increased benefits that result from a Plan amendment.

(b) Amount Required to be Distributed by Required Beginning Date. The amount that must be distributed on or before the Participant's required beginning date (or, if the Participant dies before distributions begin, the date distributions are required to

begin under Section 6.2(b)(1)) is the payment that is required for one payment interval. The second payment need not be made until the end of the next payment interval even if that payment interval ends in the next calendar year. Payment intervals are the periods for which payments are received, e.g., bi-monthly, monthly, semi-annually, or annually. All of the Participant's benefit accruals as of the last day of the first distribution calendar year will be included in the calculation of the amount of the annuity payments for payment intervals ending on or after the Participant's required beginning date.

(c) Additional Accruals After First Distribution Calendar Year. Any additional benefits accruing to the Participant in a calendar year after the first distribution calendar year will be distributed beginning with the first payment interval ending in the calendar year immediately following the calendar year in which such amount accrues.

6.4 Requirements For Annuity Distributions That Commence During Participant's Lifetime.6.4 p.15

(a) Joint Life Annuities Where the Beneficiary Is Not the Participant's Spouse. If the Participant's interest is being distributed in the form of a joint and survivor annuity for the joint lives of the Participant and a nonspouse Beneficiary, annuity payments to be made on or after the Participant's required beginning date to the designated Beneficiary after the Participant's death must not at any time exceed the applicable percentage of the annuity payment for such period that would have been payable to the Participant using the table set forth in Q&A-2 of section 1.401(a)(9)-6T of the Treasury regulations. If the form of distribution combines a joint and survivor annuity for the joint lives of the Participant and a nonspouse Beneficiary and a period certain annuity, the requirement in the preceding sentence will apply to annuity payments to be made to the designated Beneficiary after the expiration of the period certain.

(b) Period Certain Annuities. Unless the Participant's spouse is the sole designated Beneficiary and the form of distribution is a period certain and no life annuity, the period certain for an annuity distribution commencing during the Participant's lifetime may not exceed the applicable distribution period for the Participant under the Uniform Lifetime Table set forth in section 1.401(a)(9)-9 of the Treasury regulations for the calendar year that contains the Annuity Starting Date. If the Annuity Starting Date precedes the year in which the Participant reaches age 70, the applicable distribution period for the Participant is the distribution period for age 70 under the Uniform Lifetime Table set forth in section 1.401(a)(9)-9 of the Treasury regulations plus the excess of 70 over the age of the Participant as of the Participant's birthday in the year that contains the annuity starting date. If the Participant's spouse is the Participant's sole designated Beneficiary and the form of distribution is a period certain and no life annuity, the period certain may not exceed the longer of the Participant's applicable distribution period, as determined under this Section 6.4(b), or the joint life and last survivor expectancy of the Participant and the Participant's spouse as determined under the Joint and Last Survivor Table set forth in section 1.401(a)(9)-9 of the Treasury regulations, using the Participant's and spouse's attained ages as of the Participant's and spouse's birthdays in the calendar year that contains the Annuity Starting Date.

6.5 Requirements For Minimum Distributions Where Participant Dies Before Date Distributions Begin.

(a) Participant Survived by Designated Beneficiary. If the Participant dies before the date distribution of his or her interest begins and there is a designated Beneficiary, the Participant's Pre-Retirement Survivor Annuity interest will be distributed, beginning no later than the time described in Section 6.2(b), over the life of the designated Beneficiary or over a period certain not exceeding:

(1) unless the Annuity Starting Date is before the first distribution calendar year, the life expectancy of the designated Beneficiary determined using the Beneficiary's age as of the Beneficiary's birthday in the calendar year immediately following the calendar year of the Participant's death; or

(2) if the Annuity Starting Date is before the first distribution calendar year, the life expectancy of the designated Beneficiary determined using the Beneficiary's age as of the Beneficiary's birthday in the calendar year that contains the Annuity Starting Date.

(b) Death of Surviving Spouse Before Distributions to Surviving Spouse Begin. If the Participant dies before the date distribution of his or her interest begins, the Participant's surviving spouse is the Participant's sole designated Beneficiary, and the surviving spouse dies before distributions to the surviving spouse begin, this Section 6.5 will not apply.

6.6 Definitions.

(a) Designated Beneficiary. The individual who is designated as the Beneficiary under Section 1.8 of the Plan or Section 2.10 of the Appendix A Plan and is the designated Beneficiary under Code Section 401(a)(9) and section 1.401(a)(9)-1, Q&A-4, of the Treasury regulations.

(b) Distribution calendar year. A calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first distribution calendar year is the calendar year immediately preceding the calendar year which contains the Participant's required beginning date. For distributions beginning after the Participant's death, the first distribution calendar year is the calendar year in which distributions are required to begin pursuant to Section 6.2(b).

(c) Life expectancy. Life expectancy as computed by use of the Single Life Table in section 1.401(a)(9)-9 of the Treasury regulations.

(d) Required beginning date. The date specified in Section 7.8 of the Plan and 9.03 of the Appendix A Plan.

The Employer consents to the foregoing amendment, and except as amended herein, the Plan is hereby ratified and confirmed.

NBT Bancorp Inc.

By /S/ Thomas Delduchetto
EMPLOYER

Date 10/28/02

Exhibit 10.15

NBT Bancorp Inc. 2003 Executive Incentive Compensation Plan.

January 2003

NBT BANCORP INC. AND SUBSIDIARIES

2003 EXECUTIVE INCENTIVE COMPENSATION PLAN

NBT BANCORP INC. AND SUBSIDIARIES

2003 EXECUTIVE INCENTIVE COMPENSATION PLAN

Table of Contents

	Page
Introduction.	1-2
Incentive Plan	
Section I - Definitions	3
Section II - Participation.	4
Section III - Activating the Plan	4
Section IV - Calculation of Awards.	4
Section V - President's Special Recommendations	4
Section VI - Distribution of Awards	5
Section VII - Plan Administration	5
Section VIII - Amendment, Modification, Suspension or Termination	5
Section IX - Effective Date	5
Section X - Employer Relations with Participants.	6
Section XI - Governing Law.	6
Incentive Plan Participants and Distribution of Awards.	Appendix A

INTRODUCTION

It is important to examine the benefits that accrue to the organization through the operation of the Executive Incentive Compensation Plan (EICP). The Plan impacts directly on the success of the organization and its purpose can be summarized as follows:

- <u>Provides Motivation</u>: The opportunity for incentive awards provides Executives with the impetus to "stretch" for challenging, yet attainable, goals.

- <u>Provides Retention</u>: By enhancing the organization's competitive compensation posture.

- <u>Provides Management Team Building</u>: By making the incentive award dependent on the attainment of organization goals, a "team orientation" is fostered among the participant group.

- <u>Provides Individual Motivation</u>: By encouraging the participant to make significant personal contribution to the corporate effort.

- <u>Provides Competitive Compensation Strategy</u>: The implementation of incentive arrangements is competitive with current practice in the banking industry.

Highlights of the 2003 Executive Incentive Compensation Plan (EICP) are listed below:

1. The Plan is competitive compared with similar sized banking organizations and the banking industry in general.

2. The Compensation Committee of the Board of Directors controls all aspects of the Plan.

3. All active Executives are eligible for participation.

4. The financial criteria necessary for Plan operation consist of achieving certain levels of Earnings Per Share (EPS) for the Company and its Subsidiaries as applicable. Certain non-recurring events inclusive of changes to tax law or accounting rules may be excluded from the financials at the discretion of the President and CEO and the Compensation Committee.

5. Incentive distributions will be made during the first quarter of the year following the Plan Year and will be based on the matrix in Appendix A.

6. Incentive awards will be based on attainment of corporate goals. Total incentive awards may contain Corporate, Subsidiary and Individual components. The Corporate and Subsidiary components are awarded by virtue of performance related to pre-established goals and the individual component is awarded by virtue of individual performance related to individual goals. No bonus will be paid unless the Corporation attains its pre-established goals.

NBT BANCORP INC. AND SUBSIDIARIES

The Board of Directors has established this 2003 Executive Incentive Compensation Plan. The purpose of the Plan is to meet and exceed financial goals and to promote a superior level of performance relative to the competition in our market areas. Through payment of incentive compensation beyond base salaries, the Plan provides reward for meeting and exceeding financial goals.

SECTION I - DEFINITIONS

Various terms used in the Plan are defined as follows:

Base Salary: The base salary at the end of the Plan Year, excluding any bonuses, contributions to Executive benefit programs, or other compensation not designated as salary.

Board of Directors: The Board of Directors of NBT Bancorp, Inc.

President & CEO: The Chairman, President & CEO of NBT Bancorp Inc.

Corporate Goals: Those pre-established objectives and goals of NBT Bancorp Inc. which are required to activate distribution of awards under the Plan.

Divisional/Subsidiary Goals: Those pre-established objectives and goals which apply to each of the Banking Divisions of NBT Bancorp Inc. and which may activate distribution of awards under the Plan.

Individual Goals: Key objectives mutually agreed upon between participants and management.

Compensation Committee: The Compensation Committee of the NBT Bancorp Inc. Board of Directors.

Plan Participant: An eligible Executive as designated by the CEO and approved by the Compensation Committee for participation for the Plan Year.

Plan Year: The 2003 calendar year.

SECTION II - ELIGIBILITY TO PARTICIPATE

To be eligible for an award under the Plan, a Plan participant must be an Executive in full-time service at the start and close of the calendar year and at the time of the award unless mutually agreed upon prior to the Executive leaving the company. Newly hired employees may be designated by the CEO and approved by the Compensation Committee as eligible for an award as determined by their date of hire or any relevant employment agreement. A Plan participant must be in the same or equivalent position, at year end as they were when named a participant or have been promoted during the course of the year, to be eligible for an award. If a Plan participant voluntarily leaves the company prior to the payment of the award, he/she is not eligible to receive an award unless mutually agreed upon prior to the Executive leaving the company. However, if the active full-time service of a participant in the Plan is terminated by death, disability, retirement, or if the participant is on an approved leave of absence, an award will be recommended for such a participant based on the proportion of the Plan Year that he/she was in active service.

SECTION III - ACTIVATING THE PLAN

The operation of the Plan is predicated on attaining and exceeding management performance goals. The goals will consist of the attainment of certain Earnings Per Share (EPS) levels as applicable. Non-recurring events including changes in tax laws and accounting rules may be excluded from the financial results at the discretion of the President and CEO and upon approval of the Compensation Committee. The Corporation must achieve a minimum EPS set forth in Appendix A and Division Heads must achieve their respective budgets to trigger an award pursuant to the terms of this Plan.

SECTION IV - CALCULATION OF AWARDS

The Compensation Committee designates the incentive formula as shown in Appendix A. The Compensation Committee will make final decisions with respect to all incentive awards and will have final approval over all incentive awards. The individual participant data regarding maximum award and formulas used in calculation has been customized and appears as Appendix A.

SECTION V - SPECIAL RECOMMENDATIONS

The President and CEO will recommend to the Compensation Committee the amounts to be awarded to individual participants in the incentive Plan. The CEO may recommend a change outside the formula to a bonus award (increase or decrease) to an individual participant by a specified percentage based on assessment of special individual performance outside the individual goals or based on special circumstances that may have occurred during the plan year. The Compensation Committee may amend the CEO's bonus award. No award will be granted to an Executive whose performance is unacceptable.

SECTION VI - DISTRIBUTION OF AWARDS

Distribution of the EICP will be made during the first quarter of the year following the plan. Distribution of the award must be approved by the Compensation Committee.

In the event of death, any approved award earned under the provisions of this plan will become payable to the designated beneficiary of the participant as recorded under the Company's group life insurance program; or in the absence of a valid designation, to the participant's estate.

SECTION VII - PLAN ADMINISTRATION

The Compensation Committee shall, with respect to the Plan have full power and authority to construe, interpret, manage, control and administer this Plan. The Committee shall decide upon cases in conformity with the objectives of the Plan under such rules as the Board of Directors may establish.

Any decision made or action taken by NBT Bancorp Inc., the Board of Directors, or the Compensation Committee arising out of, or in connection with, the administration, interpretation, and effect of the Plan shall be at their absolute discretion and will be conclusive and binding on all parties. No member of the Board of Directors, Compensation Committee, or employee shall be liable for any act or action hereunder, whether of omission or commission, by a Plan participant or employee or by any agent to whom duties in connection with the administration of the Plan have been delegated in accordance with the provision of the Plan.

SECTION VIII - AMENDMENT, MODIFICATION, SUSPENSION OR TERMINATION

NBT Bancorp Inc. reserves the right, by and through its Board of Directors to amend, modify, suspend, reinstate or terminate all or part of the Plan at any time. The Compensation Committee will give prompt written notice to each participant of any amendment, suspension or termination or any material modification of the Plan. In the event of a merger or acquisition, the Plan and related financial formulas will be reviewed and adjusted to take into account the effect of such activities.

SECTION IX - EFFECTIVE DATE OF THE PLAN

The effective date of the Plan shall be January 1, 2003.

SECTION X - EMPLOYER RELATION WITH PARTICIPANTS

Neither establishment nor the maintenance of the Plan shall be construed as conferring any legal rights upon any participant or any person for a continuation of employment, nor shall it interfere with the right of an employer to discharge any participant or otherwise deal with him/her without regard to the existence of the Plan.

SECTION XI - GOVERNING LAW

Except to the extent pre-empted under federal law, the provisions of the Plan shall be construed, administered and enforced in accordance with the domestic internal law of the State of New York. In the event of relevant changes in the Internal Revenue Code, related rulings and regulations, changes imposed by other regulatory agencies affecting the continued appropriateness of the Plan and awards made thereunder, the Board may, at its sole discretion, accelerate or change the manner of payments of any unpaid awards or amend the provisions of the Plan.

EXHIBIT 21

List of Subsidiaries of the Registrant

March 25, 2003

SUBSIDIARIES OF THE REGISTRANT

NBT BANCORP INC. has the following subsidiaries, which are wholly owned:

NBT Bank, National Association
52 South Broad Street
Norwich, New York 13815
Telephone: (607) 337-2265
E.I.N. 15-0395735

NBT Financial Services, Inc.
52 South Broad Street
Norwich, New York 13815
Telephone: (607) 337-2265
E.I.N. 16-1576562

CNBF Capital Trust 1
24 Church Street
Canajoharie, New York 13317
Telephone: (518) 673-3243
E.I.N. 14-1249234

EXHIBIT 23

Consent of KPMG LLP

March 25, 2003

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
NBT Bancorp Inc.:

We consent to incorporation by reference in the registration statements on Forms S-3 (File Nos. 33-12247 and 333-40192) and Forms S-8 (File Nos. 333-67615, 333-71830, 333-32842, 333-44714, 333-72772, 333-73038, 333-66472, and 333-97995) of NBT Bancorp Inc. of our report dated January 27, 2003, relating to the consolidated balance sheets of NBT Bancorp Inc. and subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of income, stockholders' equity, cash flows and comprehensive income for each of the years in the three-year period ended December 31, 2002, which report appears in the December 31, 2002 annual report on Form 10-K. Our report refers to the Company's adoption of changes in accounting for goodwill and other intangible assets.

KPMG LLP

Albany, New York
March 25, 2003

EXHIBIT 99.1

WRITTEN STATEMENT OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 906 OF THE SARBANESOXLEY ACT OF 2002

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

(a) the Form 10-K of the Company for the Annual Period Ended December 31, 2002, filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

/S/ Daryl R. Forsythe

Daryl R. Forsythe
Chairman and Chief Executive Officer
March 24, 2003

EXHIBIT 99.2

WRITTEN STATEMENT OF THE CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

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

(a) the Form 10-K of the Company for the Annual Period Ended December 31, 2002, filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(b) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ Michael J. Chewens

Michael J. Chewens
Senior Executive Vice President,
Chief Financial Officer and Corporate Secretary
March 24, 2003