PATHFINDER BANCORP INC
Form 10-Q
November 14, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTER ENDED SEPTEMBER 30, 2003

SEC Exchange Act No. 000-23601

Pathfinder Bancorp, Inc.
(Exact name of Company as specified in its charter)

Federal
(State or jurisdiction of incorporation or organization)

16-1540137
(I.R.S. Employer Identification Number)

214 W. 1st Street
Oswego, New York 13126
(Address of principal executive office) (Zip Code)

Company's telephone number, including area code: (315) 343-0057

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Company (1) has filed all reports required to be filed by Section 13 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 ____

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: There were 2,433,132 shares of the Company's common stock outstanding as of November 10, 2003.

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PATHFINDER BANCORP, INC.
CONSOLIDATED STATEMENTS OF CONDITION
SEPTEMBER 30, 2003 (UNAUDITED) AND DECEMBER 31, 2002

	September 30, 2003
ASSETS	
Cash and due from banks.	$ 8,238,186
Interest earning deposits.	352,766
Total cash and cash equivalents.	8,590,952
Investment securities.	62,681,278
Mortgage loans held-for-sale	4,194,209
Loans:	
Real estate residential	129,818,714
Real estate commercial.	29,420,789

Consumer	16,299,445
Commercial	18,686,682
Total Loans	194,225,630
Less: Allowance for loan losses	1,699,859
Loans receivable, net	192,525,771
Premises and equipment, net	6,449,249
Accrued interest receivable	1,393,418
Other real estate	361,996
Goodwill	3,840,226
Intangible asset, net	905,503
Other assets	6,535,008
Total assets	$ 287,477,610

LIABILITIES AND SHAREHOLDERS' EQUITY

Deposits:	
Interest bearing	$ 193,369,414
Non-interest bearing	18,724,645
Total deposits	212,094,059
Short-term borrowings	5,200,000
Long-term borrowings	39,860,000
Company obligated mandatorily redeemable preferred securities of subsidiary	5,000,000
Other liabilities	3,949,170
Total liabilities	266,103,229
Shareholders' equity:	
Preferred stock, authorized shares 1,000,000; no shares issued or outstanding	
Common stock, par value $.01 per share; authorized 10,000,000 shares; 2,918,419 and 2,914,669 shares issued; and 2,433,132 and 2,610,496 shares outstanding, respectively	29,184
Additional paid in capital	7,194,509
Retained earnings	20,520,702
Accumulated other comprehensive income	186,048
Unearned ESOP shares	(89,403)
Treasury Stock, at cost; 485,287 and 304,173 shares, respectively	(6,466,659)
Total shareholders' equity	21,374,381
Total liabilities and shareholders' equity	$ 287,477,610

The accompanying notes are an integral part of the consolidated financial statements.

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PATHFINDER BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2003 AND SEPTEMBER 30, 2002
(UNAUDITED)

	For the three months ended September 30, 2003	For the months September
INTEREST INCOME:		
Loans.	$ 3,167,151	$
Interest and dividends on investments:		
U.S. Treasury and agencies	41,291	
Tax-exempt securities.	53,670	
Corporate obligations.	148,428	
Marketable equity securities	27,677	
Mortgage-backed securities	236,541	
Other.	2,434	
Total interest income	3,677,192	
INTEREST EXPENSE:		
Interest on deposits	884,128	
Interest on borrowed funds	486,964	
Interest on company obligated mandatorily redeemable preferred securities of subsidiary.	56,973	
Total interest expense.	1,428,065	
Net interest income.	2,249,127	
Provision for loan losses.	126,004	
Net interest income after provision for loan losses. .	2,123,123	
OTHER INCOME:		
Service charges on deposit accounts.	212,938	
Loan servicing fees.	61,727	
Increase in value of bank owned life insurance	56,567	
Net gain on securities	2,111	
Net gain on loans/real estate.	153,068	
Other charges, commissions & fees.	114,388	
Total other income	600,799	
OTHER EXPENSES:		
Salaries and employee benefits	1,106,747	
Building occupancy	248,707	
Data processing expenses	220,893	
Professional and other services.	222,775	
Amortization of intangible asset	55,622	
Other expenses	419,063	
Total other expenses	2,273,807	
Income before income taxes	450,115	
Provision for income taxes	117,395	
NET INCOME	$ 332,720	$

NET INCOME PER SHARE - BASIC.	$ 0.14	$
NET INCOME PER SHARE - DILUTED.	$ 0.14	$

The accompanying notes are an integral part of the consolidated financial statements.

PATHFINDER BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003 AND SEPTEMBER 30, 2002
(UNAUDITED)

	For the nine months ended September 30, 2003	For the months September
INTEREST INCOME:		
Loans.	$ 9,647,445	$
Interest and dividends on investments:		
U.S. Treasury and agencies	128,139	
Tax-exempt securities.	174,357	
Corporate obligations.	591,473	
Marketable equity securities	134,660	
Mortgage-backed securities	851,616	
Other.	27,238	
Total interest income	11,554,928	1
INTEREST EXPENSE:		
Interest on deposits	2,891,316	
Interest on borrowed funds	1,491,752	
Interest on company obligated mandatorily redeemable preferred securities of subsidiary.	177,000	
Total interest expense.	4,560,068	
Net interest income.	6,994,860	
Provision for loan losses.	491,830	
Net interest income after provision for loan losses. .	6,503,030	
OTHER INCOME:		
Service charges on deposit accounts.	590,173	
Loan servicing fees.	188,921	
Increase in value of bank owned life insurance	142,301	
Net gain on securities	522,711	
Net gain on loans/real estate.	331,588	
Other charges, commissions & fees.	363,546	

Total other income	2,139,240	
OTHER EXPENSES:		
Salaries and employee benefits	3,302,934	
Building occupancy	754,638	
Data processing expenses	637,195	
Professional and other services	579,938	
Amortization of intangible asset	167,680	
Other expenses	1,373,389	
Total other expenses	6,815,774	
Income before income taxes	1,826,496	
Provision for income taxes	484,242	
NET INCOME	$ 1,342,254	$
NET INCOME PER SHARE - BASIC	$ 0.55	$
NET INCOME PER SHARE - DILUTED	$ 0.54	$

The accompanying notes are an integral part of the consolidated financial statements.

PATHFINDER BANCORP, INC.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2003 AND SEPTEMBER 30, 2002
(unaudited)

	Common Stock Issued Shares	Common Stock Issued Amount	Additional Paid in Capital	Retained Earnings
BALANCE, DECEMBER 31, 2002	2,914,669	$ 29,146	$7,113,811	$19,745,651
Comprehensive income				
Net income				1,342,254
Other comprehensive income, net of tax:				
Unrealized net losses on securities				
Total Comprehensive income				
ESOP shares earned			53,421	
Stock options exercised	3,750	38	27,277	
Treasury stock purchased				
Dividends declared ($.30 per share)				(567,203)
BALANCE, SEPTEMBER 30, 2003	2,918,419	$ 29,184	$7,194,509	$20,520,702

	Accumulated Other Comprehensive Income	Unearned ESOP Shares	Treasury Stock	Total
BALANCE, DECEMBER 31, 2002	$ 280,905	$ (124,467)	$(3,815,024)	$23,230,022
Comprehensive income	-			
Net income .		. . . .		1,342,254
Other comprehensive income, net of tax:.	-			
Unrealized net losses on securities. . .	(94,857)			(94,857)
Total Comprehensive income				1,247,397
ESOP shares earned		35,064		88,485
Stock options exercised.				27,315
Treasury stock purchased			(2,651,635)	(2,651,635)
Dividends declared ($.30 per share). . .				(567,203)
BALANCE, SEPTEMBER 30, 2003.	$ 186,048	$ (89,403)	$(6,466,659)	$21,374,381

	Common Stock Issued Shares	Amount	Additional Paid in Capital	Retained Earnings
BALANCE, DECEMBER 31, 2001	2,894,220	$28,942	$6,917,817	$19,015,639
Net income		. . . .		1,266,188
Other comprehensive income, net of tax:				
Unrealized net losses on securities				
Total Comprehensive income				
ESOP shares earned			48,243	
Stock options exercised.	12,466	125	84,474	
Treasury stock purchased				
Dividends declared ($.22 per share). . .				(345,677)
BALANCE, SEPTEMBER 30,2002	2,906,686	$29,067	$7,050,534	$19,936,150

	Accumulated Other Comprehensive Income	Unearned ESOP Shares	Treasury Stock	Total
BALANCE, DECEMBER 31, 2001	$ 80,652	$(173,142)	$(3,685,159)	$22,184,749
Net income				$1,266,188
Other comprehensive income, net of tax:				
Unrealized net losses on securities. . .	81,385			81,385
Total Comprehensive income				1,347,573
ESOP shares earned		41,554		89,797
Stock options exercised.				84,599
Treasury stock purchased			(129,865)	(129,865)
Dividends declared ($.22 per share). . .				(345,677)

BALANCE, SEPTEMBER 30,2002	$ 162,037	$(131,588)	$(3,815,024)	$23,231,176

The accompanying notes are an integral part of the consolidated financial statements.

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PATHFINDER BANCORP, INC.
STATEMENTS OF CASH FLOWS
September 30, 2003 and September 30, 2002 (Unaudited)

	For the nine months ended September 30, 2003	For the nine months ended September 30, 2002
OPERATING ACTIVITIES:		
Net income.	$ 1,342,254	$ 1,266,188
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	491,830	1,208,005
ESOP and other stock-based compensation earned. . . .	88,485	89,797
Deferred income tax expense (benefit)	181,798	(139,214)
Proceeds from sale of loans	14,845,966	15,873,671
Originations of loans held-for-sale	(15,236,408)	(14,049,992)
Realized (gain) loss on:		
Sale of real estate loans through foreclosure . . .	(144,532)	9,253
Loans	(187,056)	(2,628)
Available-for-sale investment securities.	(522,711)	(617,320)
Depreciation.	392,587	351,083
Amortization of intangible.	167,680	-
Amortization of deferred financing costs.	22,653	1,312
Increase in surrender value of life insurance	(142,301)	(163,746)
Net accretion of premiums and discounts on investment securities.	180,649	(31,359)
Increase in interest receivable	(59,292)	(2,777)
Net change in other assets and liabilities.	905,850	(442,323)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,327,452	3,349,950
INVESTING ACTIVITIES		
Purchase of investment securities available-for-sale.	(23,187,784)	(9,915,570)
Proceeds from maturities and principal reductions of investment securities available-for-sale.	17,171,958	9,335,953
Proceeds from sale:		
Real estate acquired through foreclosure.	1,718,394	311,546
Available-for-sale investment securities.	6,024,059	1,799,602
Net increase in loans	(14,565,406)	(11,005,831)
Purchase of premises and equipment.	(1,219,665)	(660,273)

NET CASH USED IN INVESTING ACTIVITIES	(14,058,444)	(10,134,573)
FINANCING ACTIVITIES		
Net increase in demand deposits, NOW accounts savings accounts, money market deposit accounts and escrow deposits	10,861,516	6,542,303
Net (decrease) increase in time deposits	(3,289,562)	3,687,675
Net repayments from short term borrowings	4,500,000	(13,646,500)
Payments on long-term borrowings	(8,000,000)	(3,000,000)
Proceed from long-term borrowings	5,700,000	13,850,000
Proceeds from issuance of trust preferred securities.	-	4,849,000
Proceeds from exercise of stock options	27,315	84,599
Cash dividends	(566,095)	(208,719)
Treasury stock purchased	(2,651,635)	(129,865)
NET CASH PROVIDED BY FINANCING ACTIVITIES	6,581,539	12,028,493
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,149,453)	5,243,870
Cash and cash equivalents at beginning of period	13,740,405	7,593,956
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 8,590,952	$ 12,837,826
CASH PAID DURING THE PERIOD FOR:		
Interest	$ 4,601,663	$ 5,296,620
Income taxes paid	200,000	690,000
NON-CASH INVESTING ACTIVITY:		
Transfer of loans to other real estate	549,215	1,108,693

The accompanying notes are an integral part of the consolidated financial statements.

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PATHFINDER BANCORP, INC.

Notes to Financial Statements

(1) BASIS OF PRESENTATION

The accompanying unaudited financial statements were prepared in accordance with the instructions for Form 10-Q and Regulation S-X and, therefore, do not include information for footnotes necessary for a complete presentation of financial position, results of operations, and cash flows in conformity with generally accepted accounting principles. The following material under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" is written with the presumption that the users of the interim financial statements have read, or have access to, the Company's latest audited financial statements and notes thereto, together with Management's Discussion and Analysis of Financial Condition and Results of Operations as of December 31, 2002 and for the three year period then ended. Therefore, only material changes in financial condition and results of operations are discussed in the remainder of Part 1.

Operating results for the three months and nine months ended September 30, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003.

(2) EARNINGS PER SHARE

Basic earnings per share have been computed based upon net income for the three months and nine months ended September 30, using 2,415,681 and 2,426,206 weighted average common shares outstanding for 2003 and 2,579,602 and 2,575,993 for 2002, respectively. Diluted earnings per share for the three month and nine month period ending September 30, 2003 and 2002 have been computed using 2,464,041, 2,472,789, 2,617,651 and 2,622,160 shares, respectively. Diluted earnings per share gives effect to weighted average shares that would be outstanding assuming the exercise of outstanding stock options using the treasury stock method.

(3) STOCK-BASED COMPENSATION

The Company's stock-based compensation plan is accounted for based on the intrinsic value method set forth in Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees", and related provisions. Compensation expense for employee stock options is generally not recognized if the exercise price of the option equals or exceeds the fair value of the stock on the date of the grant.

The following table illustrates the effect on net income and earnings per share as if the Black-Scholes fair value method described in SFAS No. 123, "Accounting for Stock-Based Compensation", as amended, had been applied to the Company's stock-based compensation plan:

	For quarter ended September 30, 2003	2002
Net Income:		
As reported	$ 332,720	$348,826
Less: Total stock-based employee compensation expense determined under Black-Scholes option pricing model, net of tax effect.	7,070	27,192
Pro forma net income.	$ 325,650	$321,634

	For the quarter ended September 30, 2003		2002	
Earnings per share:	Basic	Diluted	Basic	Diluted
As reported	$ 0.14	$ 0.14	$ 0.14	$ 0.13
Pro forma	$ 0.13	$ 0.13	$ 0.12	$ 0.12

	For nine months ended September 30, 2003	2002
Net Income:		
As reported	$ 1,342,254	$1,266,188
Less: Total stock-based employee compensation expense determined under Black-Scholes option pricing model, net of tax effect.	21,210	81,576
Pro forma net income.	$ 1,321,044	$1,184,612

	For the nine months ended September 30, 2003		2002	
Earnings per share:	Basic	Diluted	Basic	Diluted
As reported	$ 0.55	$ 0.54	$ 0.49	$ 0.48
Pro forma	$ 0.54	$ 0.53	$ 0.46	$ 0.45

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options vesting period. Therefore, the foregoing pro forma results are not likely to be representative of the effects of reported net income of future periods due to additional years of vesting. Since changes in the subjective input assumptions can materially affect the fair value estimates, the existing model, in management's opinion does not necessarily provide a single reliable measure of the fair value of its stock options. In addition, the pro forma effect on reported net income and earnings per share for the periods presented should not be considered representative of the pro forma effects on reported net income and earnings per share for future periods.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure", which provides alternative methods of transition for an entity that voluntary changes to the fair value based method of accounting for stock-based employee compensation. It also amends to disclosure provisions of FASB Statement No. 123 to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. This statement also amends APB No. 28, "Interim Financial Reporting", to require disclosure about those effects in interim financial information. The Company will continue to account for stock-based compensation in accordance with APB Opinion No. 25.

(4) RECLASSIFICATIONS

Certain prior period information has been reclassified to conform to the current period's presentation. These reclassifications had no affect on net income as previously reported.

(5) DIVIDEND RESTRICTIONS

The Company maintains a restricted capital account with a $728,000 balance, representing Pathfinder Bancorp, M.H.C.'s portion of dividends waived as of September 30, 2003.

(6) COMPREHENSIVE INCOME

The components of other comprehensive income (loss) and related tax effects for the three and nine month periods ended September 30, 2003 and 2002 are as follows:

	For the three months ended September 30, 2003	2002	For the nine months ended September 30, 2003	2002
Gross change in unrealized gains on securities available for sale. . . .	$ (681,614)	$ 46,015	$ 364,616	$ 752,661
Reclassification adjustment for gains included in net income	(2,111)	-	(522,711)	(617,320)
Tax effect.	277,090	(18,405)	63,238	(53,956)
Net of tax amount	$ (406,635)	$ 27,610	$ (94,857)	$ 81,385

(7) NEW ACCOUNTING STANDARDS

In July 2002, the Financial Accounting Standards Board issued Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which nullifies EITF Issue 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 delays recognition of these costs until liabilities are incurred, rather than at the date of commitment to the plan, and requires fair value measurement. It does not impact the recognition of liabilities incurred in connection with a business combination or the disposal of long-lived assets. The provisions of this statement are effective for exit or disposal activities initiated after December 31, 2002 and did not result in any significant impact on the Company's financial condition or results of operations.

In November 2002, the Financial Accounting Standards Board (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 certain specified guarantees. FIN 45 clarifies the requirements of FASB Statement No. 5, "Accounting for Contingencies." 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 factor that is related to an asset, liability or equity security of the guaranteed party which would include financial and standby letters of credit. Certain guarantee contracts are excluded from both the disclosure and recognition requirements of this Interpretation, including, among others, guarantees related to commercial letters of credit and loan commitments. The disclosure requirements of FIN 45 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 accounting recognition requirements of FIN 45 are to be applied prospectively to guarantees issued or modified after December 31, 2002. Adoption of FIN 45 did not have a significant impact on the Company's financial condition or results of operations.

Outstanding letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The Company's exposure to credit loss in the event of noncompliance by the other party to the financial instrument for standby letters of credit is represented by the contractual amount of those instruments. The Company had $783,000 of outstanding letters of credit as of September 30, 2003. The Company uses the same credit policies in making conditional obligations as it does for on-balance sheet instruments.

Of these letters of credit, $0 automatically renew within the next twelve months, $657,000 will expire within the next twelve months and $7,500 will expire within thirteen to one hundred and eighty months. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending other loan commitments. The Company may require collateral and personal guarantees supporting these letters of credit as deemed necessary. Management believes that the proceeds obtained through a liquidation of such collateral and the enforcement of personal guarantees would be sufficient to cover the maximum potential amount of future payments required under the corresponding guarantees.

In April 2003, the Financial Accounting Standards Board issued Statement No. 149, "Amendment of Statement No. 133, Accounting for Derivative Instruments and Hedging Activities". This statement clarifies the definition of a derivative and incorporates certain decisions made by the Board as part of the Derivatives Implementation Group process. This statement is effective for contracts entered into or modified, and for hedging relationships designated after September 30, 2003 and should be applied prospectively. The provisions of the Statement that relate to implementation issues addressed by the Derivatives Implementation Group that have been effective should continue to be applied in accordance with their respective effective dates. Adoption of this standard is not expected to have a significant impact on the Corporation's financial condition or results of operations.

In January 2003, the Financial Accounting Standards Board issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51." This interpretation provides new guidance

for the consolidation of variable interest entities (VIEs) and requires such entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risk among parties involved. The interpretation also adds disclosure requirements for investors that are involved with unconsolidated VIEs. The disclosure requirements apply to all financial statements issued after January 31, 2003. The consolidation requirements apply immediately to VIEs created after January 31, 2003 and are effective for the first fiscal year or interim period beginning after

December 15, 2003 for VIEs acquired before February 1, 2003. The adoption of this interpretation is not anticipated to have any material impact on the Corporation's financial condition or results of operations.

In May 2003, the Financial Accounting Standards Board issued Statement No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity.' This Statement requires that an issuer classify a financial instrument that is within its scope as a liability. Many of these instruments were previously classified as equity. This Statement was effective for financial instruments entered into or modified after May 31, 2003 and otherwise was effective beginning July 1, 2003. The adoption of this standard did not have any impact on the Corporation's financial condition or results of operations.

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ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

This Quarterly Report contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to certain risks and uncertainties, including, among other things, changes in economic conditions in the Company's market area, changes in policies by regulatory agencies, fluctuations in interest rates, demand for loans in the Company's market areas and competition, that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. The Company wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. The Company wishes to advise readers that the factors listed above could affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements.

The Company does not undertake, and specifically declines any obligation, to publicly release the result of any revisions that may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

GENERAL

Throughout the Management's Discussion and Analysis the term, "the Company", refers to the consolidated entity of Pathfinder Bancorp, Inc. Pathfinder Bank and Pathfinder Statutory Trust I are wholly owned subsidiaries of Pathfinder Bancorp, Inc. Pathfinder Commercial Bank, Pathfinder REIT, Inc. and Whispering Oaks Development Corp. are wholly owned subsidiaries of Pathfinder Bank. At September 30, 2003, Pathfinder Bancorp, Inc.'s only business was the 100% ownership of Pathfinder Bank and Pathfinder Statutory Trust I. At September 30, 2003, 1,583,239 shares, or 65.1%, of the Company's common stock were held by Pathfinder Bancorp, M.H.C., the Company's mutual holding company parent and 849,893 shares, or 34.9%, were held by the public.

The Company's net income is primarily dependent on its net interest income, which is the difference between interest income earned on its investments in mortgage loans, investment securities and other loans, and its cost of funds consisting of interest paid on deposits and borrowed funds. The Company's net income is also affected by its provision for loan losses, as well as by the amount of noninterest income, including income from fees and service charges, net gains and losses on sales of securities, loans and other real estate, and non interest expense such as employee compensation and benefits, occupancy and equipment costs, data processing and income taxes. Earnings of the Company also are affected significantly by general economic and competitive conditions, particularly changes in market interest rates, government policies and actions of regulatory authorities, which events are beyond the control of the Company. In particular, the general level of market rates tends to be highly cyclical.

The following discussion reviews the Company's financial condition at September 30, 2003 and the results of operations for the three months and nine months ended September 30, 2003 and September 30, 2002.

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APPLICATION OF CRITICAL ACCOUNTING POLICIES

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States and follow practices within the banking industry. Application of these principles requires management to make estimates, assumptions and judgments that affect the amounts reported in the financial statements and accompanying notes. These estimates, assumptions and judgments are based on information available as of the date of the financial statements; accordingly, as this information changes, the financial statements could reflect different estimates, assumptions and judgments. Certain policies inherently have a greater reliance on the use of estimates, assumptions and judgments and as such have a greater possibility of producing results that could be materially different than originally reported. Estimates, assumptions and judgments are necessary when assets and liabilities are required to be recorded at fair value or when an asset or liability needs to be recorded contingent upon a future event. Carrying assets and liabilities at fair value inherently results in more financial statement volatility. The fair values and information used to record valuation adjustments for certain assets and liabilities are based on quoted market prices or are provided by other third-party sources, when available. When third party information is not available, valuation adjustments are estimated in good faith by management.

The most significant accounting policies followed by the Company are presented in Note 1 to the consolidated financial statements included in the 2002 Annual Report on Form 10-K. These policies, along with the disclosures presented in the other financial statement notes and in this discussion, provide information on how significant assets and liabilities are valued in the financial statements and how those values are determined. Based on the valuation techniques used and the sensitivity of financial statement amounts to the methods, assumptions and estimates underlying those amounts, management has identified the determination of the allowance for loan losses to be the accounting area that requires the most subjective and complex judgments, and as such could be the most subject to revision as new information becomes available.

The allowance for loan losses represents management's estimate of probable loan losses inherent in the loan portfolio. Determining the amount of the allowance for loan losses is considered a critical accounting estimate because it requires significant judgment and the use of estimates related to the amount and timing of expected future cash flows on impaired loans, estimated losses on pools of homogeneous loans based on historical loss experience, and consideration of current economic trends and conditions, all of which may be susceptible to significant change. The loan portfolio also represents the largest asset type on the consolidated statement of condition. Note 1 to the consolidated financial statements in the Annual Report on Form 10-K describes the methodology used to determine the allowance for loan losses.

FINANCIAL CONDITION

ASSETS

Total assets increased approximately $8.4 million, or 3%, to $287.5 million at September 30, 2003 from $279.1 million at December 31, 2002. The increase in total assets was primarily the result of a $13.5 million increase in net loans

receivable, partially offset by a $5.1 million decrease in cash and cash equivalents. The increase in net loans receivable is primarily due to a $10.3 million increase in residential real estate loans, a $5.5 million increase in commercial loans and a $1.2 million increase in consumer loans, partially offset by a decrease in commercial real estate loans of $3.2 million. The increase in residential mortgages resulted from the continued period of low market interest rates and customers refinancing into mortgages with term less than 20 years in which the Company holds in portfolio. The increase in commercial loans resulted primarily from originating $5.5 million in short term bond anticipation notes to municipalities. The decrease in cash and cash equivalents primarily resulted from the investment of the remaining cash received from the assumption of deposits in October 2002 relating the branch acquisition into the investment and loan portfolio combined with the purchase of $2.3 million of treasury stock relating to a privately negotiated stock repurchase agreement in January 2003.

LIABILITIES

Total liabilities increased by $10.3 million, or 4%, to $266.1 million at September 30, 2003 from $255.8 million at December 31, 2002. The increase is primarily attributable to a $7.6 million, or 4%, increase in deposits, a $2.2 million increase in borrowed funds and a $505,000 increase in other liabilities. Borrowed funds were utilized to fund the Company's growth in its investment and loan portfolios.

SHAREHOLDERS' EQUITY

Shareholders' equity decreased $1.9 million, or 8%, to $21.4 million at September 30, 2003 from $23.2 million at December 31, 2002. The decrease in shareholders' equity primarily results from a $2.7 million increase in treasury stock, partially offset by an increase in retained earnings of $775,000. The increase in treasury stock represented the Company's privately negotiated purchase of 160,114 shares of common stock for a price of $2.3 million, or $14.60 per share during the first quarter of 2003 and other treasury stock purchases of $350,000. The increase in retained earnings is the result of net income of $1.3 million, partially offset by dividends declared of $567,000 during the first nine months of 2003. The Company's mutual holding company parent, Pathfinder Bancorp, M.H.C, waived its right to receive the dividend for the quarter ended September 30, 2003.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of funds are deposits, amortization, prepayment, and sales of loans and maturities of investment securities and other short-term investments, earnings and funds provided from operations and borrowings. While scheduled principal repayments on loans are a relatively predictable source of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions and competition. The Company manages the pricing of deposits to maintain a desired deposit balance. In addition, the Company invests excess funds in short-term interest-bearing instruments and other assets, which provide liquidity to meet lending requirements. For additional information about cash flows from the Company's operating, financing, and investing activities, refer to the Statements of Cash Flows included in the Financial Statements. The Company adjusts its liquidity levels in order to meet funding needs of deposit outflows, loan commitments, the acquisition of fixed assets and the general operating needs of the Company. At the quarter ended

September 30, 2003, the Company had $24.9 million in outstanding commitments to extend credit. Management believes the Company has the ability to meet these outstanding credit commitments. The Company also adjusts liquidity as appropriate to meet its assets and liability management objectives. The available liquidity as a percentage of core deposits and total assets exceed the minimum standards established by the liquidity management policy.

RESULTS OF OPERATIONS

The Company recorded net income of approximately $333,000 for the three months ended September 30, 2003, as compared to $349,000 for the same period during 2002. The decrease in net income of $16,000, or 5%, for the three months ended September 30, 2003, resulted primarily from an increase in operating expenses of $361,000, or 19%, offset by an increase of $111,000, or 6%, in net interest income after provision for loan losses, a $231,000 increase in other income and a $3,000 decrease in provision for income taxes. The higher expenses and earnings are primarily attributable to the operation of an additional branch location.

For the nine months ended September 30, 2003, net income increased $76,000, or 6%, to $1.3 million when compared to the same period in the prior year. The increase in net income for the nine months ended September 30, 2003, was primarily the result of an increase in net interest income after provision for loan losses of $1.2 million, or 22%, and an increase of $252,000 in other income, offset by an increase in other operating expenses of $1.3 million, or 24%, and an increase in provision for income taxes of $31,000, or 7%.

Annualized return on average assets and return on average shareholders' equity were 0.47% and 6.29%, respectively, for the three months ended September 30, 2003 compared to 0.54% and 6.02% for the third quarter of 2002. Earnings per share - basic was $.14 for the third quarters of 2003 and 2002. For the nine months ended September 30, 2003, the same performance measurements were 0.63% and 8.47%, as compared to 0.68% and 7.32% for the same period in the prior year. Earnings per share-basic for the nine months ended September 30, 2003 was $.55 compared to $.49 for the same period in 2002.

INTEREST INCOME

Three month period

Interest income, on a tax-equivalent basis, totaled $3.7 million for the quarter ended September 30, 2003, a decrease of $246,000, or 6%, when compared to the same period of 2002. The average balance of interest-earning assets increased to $250.5 million for the three months ended September 30, 2003 from $240.8 million in the prior year period, offset by a decrease in the tax equivalent yield on average interest-earning assets to 5.91% from 6.55%. The decrease in the tax equivalent yield resulted from the continued period of historically low market interest rates. The decrease in the average yield was mitigated by increased originations of residential real estate loans and an increase in the average balance of investment securities. The increase in loans was primarily due to the Company's continued emphasis on residential real estate financing and the Company competitively pricing home equity loans and lines of credit combined with a marketing effort to increase demand for those loans. The increase in

investment securities was primarily due to the investment of excess liquidity arising from the assumption of deposits in connection with the acquisition of the Lacona, New York branch of Cayuga Bank in October of 2002 and proceeds from residential mortgage loan sales.

Interest income on loans receivable remained constant at $3.2 million for the three months ended September 30, 2003 as compared to the same period in the prior year. The average balance of loans receivable increased $16.9 million, or 10%, to $193.6 million at September 30, 2003 from $176.6 million at September 30, 2002. The increase in the average balance was partially offset by a decrease in the average yield on loans receivable to 6.56% from 7.23%.

Interest income on the mortgage-backed securities portfolio increased $28,000, or 13%, to $237,000 for the three months ended September 30, 2003, from $209,000 for the three months ended September 30, 2002. The increase in interest income on mortgage-backed securities resulted from an increase in the average balance of mortgage-backed securities of $13.0 million, or 88%, partially offset by a decrease in the average yield on mortgage-backed securities to 3.42% from 5.67%.

Interest income on investment securities, on a tax equivalent basis, decreased $197,000, or 41%, for the three months ended September 30, 2003 to $287,000 from $484,000 for the same period in 2002. The decrease resulted primarily from a decrease in the tax equivalent yield of investment securities to 4.07% from 5.43% and a decrease in the average balance of investment securities of $7.4 million, or 21%.

Interest income on interest-earning deposits decreased $58,000, to $2,000 from $60,000 for the three months ended September 30, 2003. The decrease is the result of a $12.8 million decrease in the average balance of interest-earning deposits, combined with a decrease in the average yield to .80% from 1.75% for the same period in the prior year.

Nine Month Period

Interest income, on a tax-equivalent basis, decreased $279,000, or 2%, to $11.6 million, when compared to the same period in 2002. The tax-equivalent yield on interest-earning assets decreased to 6.07% from 6.82%, partially offset by an increase in the average balance of interest-earning assets of $22.6 million, or 10%, to $255.4 million from $232.8 million.

Interest income on loans receivable for the nine months ended September 30, 2002, decreased $37,000 as compared to the same period in the prior year. Average loans receivable increased $13.6 million, or 8%, while the yield on average loans receivable decreased to 6.80% from 7.35%.

For the nine months ended September 30, 2003 and 2002, interest income on mortgage-backed securities was $852,000 and $683,000, respectively, an increase of $169,000, or 25%. The increase resulted primarily from an increase in the average balance of mortgage-backed securities of $13.3 million, or 85%, offset by a decrease in the average yield on mortgage-backed securities to 3.92% from 5.81%. The increase in the average balance of mortgage backed securities resulted from purchases of $15.6 million, partially offset by maturities and principal redemptions.

For the nine months ended September 30, 2003, tax equivalent interest income on investment securities decreased $362,000, or 25%, to $1.1 million compared to

$1.5 million for the same period in 2002. The decrease resulted primarily from a decrease in the average balance of investment securities of $1.7 million and a decrease in the tax equivalent yield on investment securities to 4.33% from 5.49%.

INTEREST EXPENSE

Three Month Period

Interest expense for the quarter ended September 30, 2003 decreased by approximately $340,000, or 19%, to $1.4 million from $1.8 million when compared to the same quarter for 2002. The decrease in interest expense for the period was principally the result of the decrease in the average cost of interest-bearing deposits to 1.85% from 2.72%, partially offset by an increase of $23.2 million in the average balance of interest-bearing deposits. The increase in the average balance of interest-bearing deposits primarily resulted from the branch acquisition, which included the assumption of $26.4 million in deposits, occurring in the fourth quarter of 2002. The average cost of borrowings decreased to 4.46% from 4.70%, combined with a $4.6 million decrease in the average balance of borrowings. The decrease in the cost of borrowings was primarily due to the downward repricing of the debentures underlying the mandatory redeemable trust preferred security having an average cost of funds of 4.36% for the three months ending September 2003, compared to 5.33% for the same period in 2002. The interest rate on the borrowing is tied to LIBOR (London InterBank Offered Rate)

Nine Month Period

For the nine months ended September 30, 2003, interest expense decreased $727,000, or 14%, when compared to the first nine months of 2002. The decrease in interest expense for the period was primarily the result of a decrease in the average cost of interest bearing deposits to 1.98%, from 2.90%, offset by an increase in the average balance of interest bearing deposits of $32.3 million, or 20%.

NET INTEREST INCOME

Net interest income, on a tax equivalent basis, increased $94,000, or 4%, to $2.3 million for the quarter ended September 30, 2003, when compared to the same period in the prior year.

For the nine months ended September 30, 2003, net interest income, on a tax equivalent basis, increased $448,000, or 7%, when compared to the same period in the prior year.

Net interest margin for the quarter ended September 30, 2003 increased to 3.63% from 3.62% when compared to the same period in the prior year. For the nine months ended Septemer 30, 2003, net interest margin decreased to 3.69%, from 3.79%.

PROVISION AND ALLOWANCE FOR LOAN LOSSES

The Company maintains an allowance for loan losses based upon a quarterly evaluation of known and inherent risks in the loan portfolio, which includes a review of the balances and composition of the loan portfolio as well as analyzing the level of delinquencies in each segment of the loan portfolio. Loan loss reserves are based upon a methodology that uses loss factors applied to loan balances and reflects actual loss experience, delinquency trends, and current economic conditions, as well as standards applied by the FDIC. The Company established a provision for possible loan losses for the three months ended September 30, 2003 of $126,000, as compared to a provision of $138,000 for the three months ended September 30, 2002.

The Company's allowance for loan losses to nonperforming loans ratio was 71.19% at September 30, 2003 as compared to 86.57% at September 30, 2002. The ratio of nonperforming loans to total loans was 1.23% at September 30, 2003 as compared to the September 30, 2002 ratio of .95%. The Company had nonperforming loans of $2.4 million at September 30, 2003. The Company has experienced an increase in delinquent loans (greater than 30 days past due) to $7.7 million from $6.1 million at December 31, 2002. Management anticipates that loss mitigation efforts will result in no additional provisions being required.

NONINTEREST INCOME

The Company's noninterest income is principally comprised of fees on deposit accounts and transactions, loan servicing, commissions, and net gains and losses on the sale of securities, loans and other real estate. Noninterest income, net of gains and losses from the sale of securities, loans and other real estate, increased 21% to $446,000 for the quarter ended September 30, 2003 compared to $367,000 for the same period in the prior year. The increase in noninterest income is primarily attributable to a $58,000 increase in service charges on deposit accounts and a $20,000 increase in other charges, commissions and fees. The increase in service charges on deposit accounts is primarily attributable to an increase in the number of deposit accounts and the introduction of new services to depositors. Net gains and losses from the sale of securities, loans and other real estate increased $153,000, to $155,000 for the quarter ended September 30, 2003 compared to $2,000 for the same period in the prior year. The increase resulted primarily from an increase in gains recognized on loan sales to the secondary market and the gains recognized on other real estate.

For the nine months ended September 30, 2003, noninterest income, net of gain and losses from the sale of securities, loans and other real estate, increased 13% to $1.3 million, compared to $1.1 million for the same period in the prior year. The increase in noninterest income is primarily attributable to a $138,000 increase in service charges on deposit accounts and a $44,000 increase in other charges, commissions and fees. Net gains and losses from the sale of securities decreased $95,000, to $523,000, from $617,000 for same period in the prior year. A $194,000 increase in net gain on loans and other real estate resulted from a $156,000 increase in gain recognized on real estate loans sold to the secondary market, and a $38,000 increase in gain recognized on sales of other real estate.

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NONINTEREST EXPENSE

Noninterest expense increased 19% to $2.3 million for the quarter ended September 30, 2003, when compared to the same period in the prior year. The increase in noninterest expense was due to increases of $107,000 in salary and employee benefits, $64,000 in building occupancy expenses, $36,000 in data processing expenses, $33,000 in professional and other services, $56,000 in the amortization of intangible asset and $65,000 in other expenses. The increases in operating costs are primarily attributable to the operation of an additional branch location acquired in October 2002. Salaries and employee benefits were also impacted by increases in pension benefit costs and health insurance benefits. The increase in professional and other services related to the payment of television commercial production costs relating to a new advertising campaign.

For the nine months ended September 30, 2003, noninterest expense increased $1.3 million, or 24%, compared to the same period in 2002. The increase in noninterest expense was the result of a $569,000, or 21%, increase in salary and employee benefits, a $201,000, or 36%, increase in building occupancy expenses, a $51,000, or 9% increase in data processing expenses, a $168,000 increase in amortization expenses and a $348,000, or 34%, increase in other expenses. Expense increases primarily resulted from the operation of an additional branch and the amortization of branch acquisition intangibles. In addition, included in other expenses is $164,000 in nonrecurring expenses relating to personnel realignment. These expenses were offset by a reduction of $15,000, or 3%, in professional and other service expense.

INCOME TAXES

Income taxes decreased $3,000 for the quarter ended September 30, 2003 as compared to the same period in the prior year. This decrease was primarily attributable to a $19,000 decrease in the Company's pre-tax income. The effective tax rate is consistent at 26% when compared to the same period in the prior year.

For the nine months ended September 30, 2003, income taxes increased $31,000, or 7%, as compared to the nine months ended September 30, 2002. The effective tax rate is consistent at 26% when compared to the same period in the prior year.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company's most significant form of market risk is interest rate risk, as the majority of the Company's assets and liabilities are sensitive to changes in interest rates. The Company's mortgage loan portfolio, consisting primarily of loans on residential real property located in Oswego County, is subject to risks associated with the local economy. The Company's interest rate risk management program focuses primarily on evaluating and managing the composition of the Company's assets and liabilities in the context of various interest rate scenarios. Factors beyond management's control, such as market interest rates and competition, also have an impact on interest income and interest expense.

The extent to which such assets and liabilities are "interest rate sensitive" can be measured by an institution's interest rate sensitivity "gap". An asset or liability is said to be interest rate sensitive within a specific time period if it will mature or reprice within that time period. The interest rate sensitivity gap is defined as the difference between the amount of interest-earning assets maturing or repricing within a specific time period and that amount of interest-bearing liabilities maturing or repricing within that time period. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities. A gap is considered negative when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. During a period of rising interest rates, a negative gap would tend to adversely affect net interest income while a positive gap would tend to positively affect net interest income. Conversely, during a period of falling interest rates, a negative gap would tend to positively affect net interest income while a positive gap would tend to adversely affect net interest income.

Generally, the Company tends to fund longer-term loans and mortgage-backed securities with shorter-term time deposits, repurchase agreements, and advances.

The impact of this asset/liability mix creates an inherent risk to earnings in a rising interest rate environment. In a rising interest rate environment, the Company's cost of shorter-term deposits may rise faster than its earnings on longer-term loans and investments. Additionally, the prepayment of principal on real estate loans and mortgage-backed securities tends to decrease as rates rise, providing less available funds to invest in the higher rate environment. Conversely, as interest rates decrease, the prepayment of principal on real-estate loans and mortgage-backed securities tends to increase, causing the Company to invest funds in a lower rate environment. The potential impact on earnings from this mismatch is mitigated to a large extent by the size and stability of the Company's savings accounts. Savings accounts have traditionally provided a source of relatively low cost funding that has demonstrated a historically low sensitivity to interest rate changes. The Company generally matches a percentage of these, which are deemed core, against longer-term loans and investments. In addition, the Company has sought to extend the terms of its time deposits. In this regard, the Company has, on occasion, offered certificates of deposits with three and four year terms which allow depositors to make a one-time election, at any time during the term of the certificate of deposit, to adjust the rate of the certificate of deposit to the then prevailing rate for a certificate of deposit with the same term.

The Company has further sought to reduce the term of a portion of its rate sensitive assets by originating one year ARM loans, three year/one year and five

year/one year ARM loans (mortgage loans which are fixed rate for the first three or five years and adjustable annually thereafter) and by maintaining a relatively short term investment securities (original maturities of three to seven years) portfolio with staggered maturities. The Company generally maintains in its portfolio fixed interest rate loans with terms less than 20 years. By policy, the Company may only maintain up to 5% of the loan portfolio in fixed rate loans exceeding 20 years. Thirty-year fixed rate loans not held in portfolio are held for sale into the secondary market. The Company manages interest rate and credit risk associated with the mortgage loans held for sale and outstanding loan commitments through utilization of forward sale commitments of mortgage-backed securities for the purpose of passing along these risks to acceptable third parties. Management generally enters into forward sale commitments to minimize the exposure to longer term fixed rate mortgages in mortgage loans held for sale and mortgage commitments where interest rate locks have been granted. At September 30, 2003, there were $5.0 million in outstanding forward sale commitments. To manage interest rate risk within the loan portfolio, ARM loans are originated with terms that provide that the interest rate on such loans cannot adjust below the initial rate.

The Company manages its interest rate sensitivity by monitoring (through simulation and net present value techniques) the impact on its GAP position, net interest income ("earnings at risk"), and the market value of portfolio equity ("value at risk") to changes in interest rates on its current and forecast mix of assets and liabilities. The Company has an Asset-Liability Management Committee which is responsible for reviewing the Company's assets and liability policies, setting prices and terms on rate-sensitive products, and monitoring and measuring the impact of interest rate changes on the Company's earnings. The Committee meets monthly on a formal basis and reports to the Board of Directors on interest rate risks and trends, as well as liquidity and capital ratios and requirements. The Company does not have a targeted gap range, rather the Board of Directors has set parameters of percentage change by which net interest margin and the market value of portfolio equity are affected by changing interest rates. The Board and management deem these measures to be a more significant and realistic means of measuring interest rate risk.

GAP ANALYSIS. At September 30, 2003, the total interest bearing liabilities maturing or repricing within one year exceeded total interest-earning assets maturing or repricing in the same period by $31.6 million, representing a cumulative one-year gap ratio of a negative 10.98%.

EARNINGS AT RISK AND VALUE AT RISK. The following table measures the Company's interest rate risk exposure in terms of the percentage change in its net interest income and net portfolio value as a result of hypothetical changes in 100 basis point increments in market interest rates. Net portfolio value (also referred to as market value of portfolio equity) represents the fair value of net assets (determined as the market value of assets minus the market value of liabilities). The table quantifies the changes in net interest income and net portfolio value to parallel shifts in the yield curve. The column "Earning at Risk" measures the percentage change to the next twelve months' projected net interest income, due to parallel shifts in the yield curve. The column "Value at Risk" measures the percentage changes in the current net mark-to-market value of assets and liabilities due to parallel shifts in the yield curve. The base case assumes September 30, 2003 interest rates. The Company uses these percentage changes as a means to measure interest rate risk exposure and quantifies those changes against guidelines set by the Board of Directors as part of the Company's Interest Rate Risk policy.

CHANGE IN INTEREST RATES INCREASE (DECREASE) BASIS POINTS (RATE SHOCK)	EARNINGS AT RISK	VALUE AT RISK
300	-11.16%	- 31.00%
200	-7.19%	- 19.24%
100	-3.38%	- 8.15%
Base Case		
(100)	1.38%	3.64%
(200)	.40%	11.30%
(300)	-3.88%	19.29%

ITEM 4 - CONTROLS AND PROCEDURES

Under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Chief Financial Officer, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this quarterly report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this quarterly report, the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. There has been no change in the Company's internal control over financial reporting during the most recent fiscal quarter that has materially affected, or is reasonable likely to materially affect, the company's internal control over financial reporting.

PART II - OTHER INFORMATION

LEGAL PROCEEDINGS

None

CHANGES IN SECURITIES

Not applicable

DEFAULTS UPON SENIOR SECURITIES

Not applicable

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable

OTHER INFORMATION

On September 16, 2003, the Board of Directors declared a $.10 cash dividend to shareholders of record as of September 30, 2003, payable on October 13, 2003.

EXHIBITS AND REPORTS ON FORM 8-K

Exhibits

Exhibit No.	Description
Exhibit 31.1	Rule 13a-14(a) / 15d-14(a) Certification of the Chief Executive Officer
Exhibit 31.2	Rule 13a-14(a) / 15d-14(a) Certification of the Chief Financial Officer
Exhibit 32.1	Section 1350 Certification of the Chief Executive and Chief Financial Officer

Reports on Form 8-K

The Company filed two Current Reports on Form 8-K during the third quarter ending September 30, 2003 dated July 21, 2003 and August 12, 2003 reporting the second quarter earnings release and the Board's approval of a change in auditors, respectively.

SIGNATURES

Under the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PATHFINDER BANCORP, INC.

	/s/ Thomas W. Schneider
Date: November 14, 2003	Thomas W. Schneider President, Chief Executive Officer
	/s/ James A. Dowd
Date: November 14, 2003	James A. Dowd Vice President, Chief Financial Officer

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas W. Schneider, President and Chief Executive Officer, certify that:

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

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

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

4. The registrant's other certifying officers 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 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 quarterly 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 quarterly report (the "Evaluation Date"); and
c) presented in this quarterly 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 functions):

a) all significant deficiencies in the design or operation 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 officers and I have indicated in this quarterly report whether 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.

November 14, 2003	/s/ Thomas W. Schneider
Date	President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James A. Dowd, Vice President and Chief Financial Officer, certify that:

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

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

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

4. The registrant's other certifying officers 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 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 quarterly 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 quarterly report (the "Evaluation Date"); and
c) presented in this quarterly 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 functions):

a) all significant deficiencies in the design or operation 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 officers and I have indicated in this quarterly report whether 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.

November 14, 2003	/s/ James A. Dowd
Date	Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Thomas W. Schneider, President and Chief Executive Officer and James A. Dowd, Vice President and Chief Financial Officer of Pathfinder Bancorp, Inc. (the "Company") each certify in his capacity as an officer of the Company that he has reviewed the quarterly report of the Company on Form 10-Q for the quarter ended September 30, 2003 and that to the best of his knowledge:

1) the report fully complies with the requirements of Sections 13(a) of the Securities Exchange Act of 1934; and

2) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations.

The purpose of this statement is solely to comply with Title 18, Chapter 63, Section 1350 of the United States Code, as amended by Section 906 of the Sarbanes-Oxley Act of 2002.

November 14, 2003	/s/Thomas W. Schneider
Date	President and Chief Executive Officer

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November  14,2003           /s/  James  A.  Dowd
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Date               Vice  President  and  Chief  Financial  Officer
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