PATHFINDER BANCORP INC
Form 10-Q
November 14, 2005

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, 2005

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 by check mark whether the Registrant is a shell company (as defined in Rule 12b-2Q 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 2,463,132 shares of the Company's common stock outstanding as of November 10, 2005.

PATHFINDER BANCORP, INC.
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SIGNATURES

PATHFINDER BANCORP, INC.
CONSOLIDATED STATEMENTS OF CONDITION
SEPTEMBER 30, 2005 (UNAUDITED) AND DECEMBER 31, 2004

	2005	
ASSETS		
(Dollars in thousands)		
Cash and due from banks	$ 8,078	$ 6
Interest earning deposits	685	7
Total cash and cash equivalents	8,763	14
Investment securities, at fair value	84,510	75
Federal Home Loan Bank stock, at cost	1,636	1
Mortgage loans held-for-sale	0	2
Loans	185,459	186
Less: Allowance for loan losses	1,801	1
Loans receivable, net	183,658	185

Premises and equipment, net	8,011	7
Accrued interest receivable	1,644	1
Foreclosed real estate	935	
Goodwill	3,840	3
Intangible asset, net	461	
Bank owned life insurance	5,901	5
Other assets	3,717	3
Total assets	$303,076	$302
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Interest-bearing	$220,915	$217
Noninterest-bearing	19,937	19
Total deposits	240,852	236
Short-term borrowings	2,000	1
Long-term borrowings	30,360	34
Junior subordinated debentures	5,155	5
Other liabilities	3,131	3
Total liabilities	281,498	280
Shareholders' equity:		
Preferred stock, authorized shares 1,000,000; no shares issued or outstanding		
Common stock, par value $.01; authorized 10,000,000 shares; 2,950,419 and 2,937,419 shares issued; and 2,463,132 and 2,450,132 shares outstanding, respectively	29	
Additional paid in capital	7,594	7
Retained earnings	21,092	21
Accumulated other comprehensive loss	(635)	
Unearned ESOP shares	0	
Treasury Stock, at cost; 487,287 shares	(6,502)	(6
Total shareholders' equity	21,578	21
Total liabilities and shareholders' equity	$303,076	$302

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

PATHFINDER BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	For the three months ended September 30, 2005	Sept
(Dollars in thousands, except per share data)		
INTEREST INCOME:		

Loans, including fees	$	3,006	$
Debt securities:			
Taxable		621	
Tax-exempt		138	
Dividends		61	
Other		3	
Total interest income		3,829	
INTEREST EXPENSE:			
Interest on deposits		1,061	
Interest on short-term borrowings		107	
Interest on long-term borrowings		459	
Total interest expense		1,627	
Net interest income		2,202	
Provision for loan losses		91	
Net interest income after provision for loan losses		2,111	
OTHER INCOME:			
Service charges on deposit accounts		356	
Loan servicing fees		61	
Increase in value of bank owned life insurance		44	
Net (loss)/gains on sales and impairments of investment securities		(192)	
Net gains on sales of loans and foreclosed real estate		42	
Other charges, commissions & fees		138	
Total other income		449	
OTHER EXPENSES:			
Salaries and employee benefits		1,290	
Building occupancy		306	
Data processing expenses		315	
Professional and other services		184	
Amortization of intangible asset		55	
Other expenses		343	
Total other expenses		2,493	
Income before income taxes		67	
(Benefit) provision for income taxes		(49)	
NET INCOME	$	116	$
NET INCOME PER SHARE - BASIC	$	0.05	$
NET INCOME PER SHARE - DILUTED	$	0.05	$
DIVIDENDS PER SHARE	$	0.1025	$

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

PATHFINDER BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(Dollars in thousands, except per share data)	For the nine months ended September 30, 2005	Sept
INTEREST INCOME:		
Loans, including fees	$ 8,824	$
Debt securities:		
Taxable	1,884	
Tax-exempt	376	
Dividends	168	
Other	62	
Total interest income	11,314	
INTEREST EXPENSE:		
Interest on deposits	3,122	
Interest on short-term borrowings	156	
Interest on long-term borrowings	1,374	
Total interest expense	4,652	
Net interest income	6,662	
Provision for loan losses	229	
Net interest income after provision for loan losses	6,433	
OTHER INCOME:		
Service charges on deposit accounts	949	
Loan servicing fees	146	
Increase in value of bank owned life insurance	133	
Net (loss)/gains on sales and impairments of investment securities	(192)	
Net gains on sales of loans and foreclosed real estate	30	
Other charges, commissions & fees	418	
Total other income	1,484	
OTHER EXPENSES:		
Salaries and employee benefits	3,807	
Building occupancy	878	
Data processing expenses	928	
Professional and other services	608	
Amortization of intangible asset	166	
Other expenses	1,036	
Total other expenses	7,423	
Income before income taxes	494	
(Benefit) Provision for income taxes	(5)	
NET INCOME	$ 499	$

NET INCOME PER SHARE - BASIC	$	0.20	$
NET INCOME PER SHARE - DILUTED	$	0.20	$
DIVIDENDS PER SHARE.	$	0.3075	$

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

PATHFINDER BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Nine Months Ended September 30, 2005	For the Nine Months Ended September 30, 2004
(Dollars in thousands)		
OPERATING ACTIVITIES:		
Net income.	$ 499	$ 1,205
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	229	407
ESOP and other stock-based compensation earned.	88	99
Deferred income tax expense	133	60
Proceeds from sale of loans	8,897	10,885
Originations of loans held-for-sale	-	(8,430)
Realized loss/(gain) on:		
Sale of real estate through foreclosure	7	(79)
Loans	(37)	(170)
Available-for-sale investment securities.	192	(569)
Depreciation.	518	434
Amortization of intangible.	166	167
Amortization of deferred financing costs.	23	23
Amortization of mortgage servicing rights	22	32
Increase in surrender value of life insurance	(133)	(144)
Net amortization of premiums on investment securities . .	279	256
Increase in interest receivable	(139)	(232)
Net change in other assets and liabilities.	(259)	(853)
NET CASH PROVIDED BY OPERATING ACTIVITIES	10,485	3,091
INVESTING ACTIVITIES		
Purchase of investment securities available-for-sale. . .	(21,734)	(31,459)
Proceeds from maturities and principal reductions of investment securities available-for-sale.	11,406	7,134
Proceeds from sale:		
Real estate acquired through foreclosure.	414	352
Available-for-sale investment securities.	-	6,353
Purchase of life insurance.	-	(1,100)

Net (increase) decrease in loans	(6,021)	376
Purchase of premises and equipment	(949)	(980)
NET CASH USED IN INVESTING ACTIVITIES	(16,884)	(19,324)
FINANCING ACTIVITIES		
Net (decrease) increase in demand deposits, NOW accounts savings accounts, money market deposit accounts and escrow deposits	(4,641)	30,498
Net increase in time deposits	8,821	(661)
Increase (decrease) from short term borrowings	1,000	(2,100)
Payments on long-term borrowings	(4,000)	(4,500)
Proceeds from long-term borrowings	-	1,000
Proceeds from exercise of stock options	86	125
Cash dividends paid	(429)	(414)
NET CASH PROVIDED BY FINANCING ACTIVITIES	837	23,948
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,562)	7,715
Cash and cash equivalents at beginning of period	14,325	8,714
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 8,763	$ 16,429

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

PATHFINDER BANCORP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2005 AND SEPTEMBER 30, 2004
(unaudited)

	Common Stock		Additional Paid in	Retained
	Shares	Amount	Capital	Earnings
(Dollars in thousands, except per share data)				
BALANCE, DECEMBER 31, 2004	2,937,419	$ 29	$ 7,453	$ 21,186
Comprehensive income				
Net income				499
Other comprehensive loss, net of tax				
Unrealized net losses on securities				
Total Comprehensive Income				
ESOP shares earned			55	
Stock option exercised	13,000	-	86	
Dividends declared ($.3075 per share)				(593)
BALANCE, SEPTEMBER 30, 2005	2,950,419	$ 29	$ 7,594	$ 21,092
BALANCE, DECEMBER 31, 2003	2,919,386	$ 29	$ 7,225	$ 20,747

Comprehensive income				
Net income.			.	1,205
Other comprehensive loss, net of tax				
Unrealized net losses on securities				
Total Comprehensive income				
ESOP shares earned.			65	
Stock option exercised.	16,033	0	125	
Dividends declared ($.3025 per share)				(580)
BALANCE, SEPTEMBER 30, 2004	2,935,419	$ 29	$ 7,415	$ 21,372

	Accumulated Other Comprehensive Income (Loss)	Unearned ESOP Shares	Treasury Stock	Total
BALANCE, DECEMBER 31, 2004.	$ (307)	$ (33)	$ (6,502)	$21,826
Comprehensive income				
Net income.				499
Other comprehensive loss, net of tax				
Unrealized net losses on securities . .	(328)			(328)
Total Comprehensive loss.				171
ESOP shares earned.		33		88
Stock option exercised.				86
Dividends declared ($.3075 per share) .				(593)
BALANCE, SEPTEMBER 30, 2005	$ (635)	$ -	$ (6,502)	$21,578
BALANCE, DECEMBER 31, 2003.	$ 364	$ (78)	$ (6,502)	$21,785
Comprehensive income				
Net income.				1,205
Other comprehensive income, net of tax				
Unrealized net losses on securities . .	(681)			(681)
Total Comprehensive income.				524
ESOP shares earned.		34		99
Stock option exercised.				125
Dividends declared ($.3025 per share) .				(580)
Dividends declared ($.3075 per share) .				(593)
BALANCE, SEPTEMBER 30, 2004	$ (317)	$ (44)	$ (6,502)	$21,953

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

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, 2004 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 and nine months ended September 30, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005.

(2) EARNINGS PER SHARE

Basic earnings per share has been computed by dividing net income by the weighted average number of common shares outstanding throughout the three months and nine months ended September 30, 2005 and 2004, using 2,461,328 and 2,438,796 weighted average common shares outstanding for the three months ended, and 2,453,744 and 2,433,264 for the nine months ended, respectively. Diluted earnings per share for the three months and nine months ended September 30, 2005 and 2004 have been computed using 2,488,418 and 2,478,377 for the three months ended and 2,487,478 and 2,477,521 for the nine months ended, respectively. Diluted earnings per share gives effect to weighted average shares that would be outstanding assuming the exercise of issued stock options using the treasury stock method.

(3) PENSION BENEFITS

The composition of net periodic benefit plan cost for the three months and nine months ended
September 30, is as follows:

	FOR THE THREE MONTHS ENDED SEPTEMBER 30,		FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	2005	2004	2005	2004
(In thousands)				
Service cost.	$ 38	$ 36	$ 114	$ 122
Interest cost	57	52	171	156
Expected return on plan assets.	(71)	(63)	(213)	(189)
Amortization of net losses. . .	24	23	72	71
Net periodic benefit cost . . .	$ 48	$ 48	$ 144	$ 160

The Company previously disclosed in its financial statements for the year ended December 31, 2004, that it expected to contribute $190,000 to its pension plan in 2005. As of September 30, 2005, $670,000 had been contributed to the pension plan. The Company contributed more than expected to avoid a PGBC (Pension Benefit Guaranty Corporation) variable rate premium.

(4) DIVIDEND RESTRICTIONS

The Company maintains a restricted capital account with a $1.4 million balance, representing Pathfinder Bancorp, MHC's portion of dividends waived as of September 30, 2005.

(5) COMPREHENSIVE INCOME

The components of other comprehensive (loss) income and related tax effects for the three month and nine month periods ended September 30, 2005 and 2004 are as follows:

	For the three months ended September		For the nine months ended September	
	2005	2004	2005	2004
(In thousands)				
Gross change in unrealized gains on securities available for sale	$ 209	$ 1,316	$(355)	$ (567)
Reclassification adjustment for (gains) losses included in net income.	192	(85)	192	(569)
	17	1,231	(547)	(1,136)
Tax effect.	(7)	(492)	219	455
Net of tax amount	$ 10	$ 739	$(328)	$ (681)

(6) GUARANTEES

The Company does not issue any guarantees that would require liability recognition or disclosure, other than its standby letters of credit. Standby letters of credit written are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Generally, all letters of credit, when issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as those that are involved in extending loan facilities to customers. The Company, generally, holds collateral and/or personal guarantees supporting these commitments. The Company had $865,000 of standby letters of credit as of September 30, 2005. Management believes that the proceeds obtained through a liquidation of collateral and the enforcement of guarantees would be sufficient to cover the potential amount of future payment required under the corresponding guarantees. The current amount of the liability as of September 30, 2005 for guarantees under standby letters of credit issued is not material.

(7) NEW ACCOUNTING PRONOUNCEMENTS

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement No. 123(R), "Share-Based Payment." Statement No. 123(R) revised Statement No. 123, "Accounting for Stock-Based Compensation," and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," and its related implementation guidance. Statement No. 123(R) will require compensation costs related to share-based payment transactions to be recognized in the financial statements (with limited exceptions). The amount of compensation cost will be measured based on the grant-date fair value of the equity or liability instruments issued. Compensation cost will be recognized over the period that an employee provides service in exchange for the award.

On April 14, 2005, the Securities and Exchange Commission ("SEC") adopted a rule that amends the compliance dates for Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123R"). Under the rule, the Company is required to adopt SFAS No. 123R in the first annual period beginning after June 15, 2005. Since the Company's options are fully granted and vested, the Company does not anticipate the adoption will have any impact on the consolidated financial statements.

In March 2005, the SEC issued Staff Accounting Bulletin No. 107 ("SAB No. 107"), "Share-Based Payment", providing guidance on option valuation methods, the accounting for income tax effects of share-based payment arrangements upon adoption of SFAS No. 123(R), and the disclosures in MD&A subsequent to the adoption. The Company will provide SAB No. 107 required disclosures upon adoption of SFAS No. 123(R).

In January 2003, the FASB's Emerging Issues Task Force (EITF) issued EITF Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investors" ("EITF 03-1"), and in March 2004, the EITF issued an update. EITF 03-1 addresses the meaning of other-than-temporary impairment and its application to certain debt and equity securities. EITF 03-1 aids in the determination of impairment of an investment and gives guidance as to the measurement of impairment loss and the recognition and disclosures of other-than-temporary investments. EITF 03-1 also provides a also provides a model to determine other-than-temporary impairment using evidence-based judgment about the recovery of the fair value up to the cost of the investment by considering the severity and duration of the impairment in relation to the forecasted recovery of the fair value. In July 2005, FASB adopted the recommendation of its staff to nullify key parts of EITF 03-1. The staff's recommendations were to nullify the guidance on the determination of whether an investment is impaired as set forth in paragraphs 10-18 of Issue 03-1 and not to provide additional guidance on the meaning of other-than-temporary impairment. Instead, the staff recommends entities recognize other-than-temporary impairments by applying existing accounting literature such as paragraph 16 of SFAS 115.

In July 2005, the FASB issued a proposed interpretation of FAS 109, "Accounting for Income Taxes", to clarify certain aspects of accounting for uncertain tax positions, including issues related to the recognition and measurement of those tax positions. If adopted as proposed, the interpretation would be effective in the fourth quarter of 2005, and any adjustments required to be recorded as a result of adopting the interpretation would be reflected as a cumulative effect from a change in accounting principle. We are currently in the process of determining the impact of adoption of the interpretation as proposed on our financial position or results of operations.

In October 2005, the FASB issued FASB Staff Position FAS 13-1 ("FSP FAS 13-1"), which requires companies to expense rental costs associated with ground or building operating leases that are incurred during a construction period. As a result, companies that are currently capitalizing these rental costs are required to expense them beginning in its first reporting period beginning after December 15, 2005. FSP FAS 13-1 is effective for our Company as of the first quarter of 2006. We evaluated the provisions of FSB FAS 13-1 and do not believe that its adoption will have a material impact on our Company's financial condition or results of operations.

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

GENERAL

Throughout the Management's Discussion and Analysis ("MD&A") 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. represent wholly owned subsidiaries of Pathfinder Bank. At September 30, 2005, Pathfinder Bancorp, M.H.C., the Company's mutual holding company parent, held 64.3% of the Company's common stock and the public held 35.7%. Pathfinder Bancorp, M.H.C's operations and financial condition are not consolidated with the Company.

The following discussion reviews the Company's financial condition at September 30, 2005 and the results of operations for the three and nine months ended September 30, 2005 and September 30, 2004.

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.

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 other income, including income from fees and service charges on deposit accounts, net gains and losses on sales of securities, loans and foreclosed real estate, and other expenses such as salaries and employee benefits, building 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.

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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 2004 Annual Report on Form 10-K ("the Consolidated Financial Statements"). 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 balance sheet. Note 1 to the Consolidated Financial Statements describes the methodology used to determine the allowance for loan losses, and a discussion of the factors driving changes in the amount of the allowance for loan losses is included in this report.

The Company carries all of its investments at fair value with any unrealized gains or losses reported net of tax as an adjustment to shareholders' equity. Based on management's assessment, at September 30, 2005, the Company did not hold any security that had a fair value decline that is currently expected to be other than temporary. During the third quarter of 2005, management deemed an equity holding in FNMA to be other than temporarily impaired resulting in a $116,000 reduction in earnings, net of taxes. Consequently, any declines in a specific security's fair value below amortized cost have not been provided for in the income statement. The Company's ability to fully realize the value of its investment in various securities, including corporate debt securities, is dependent on the underlying creditworthiness of the issuing organization.

EXECUTIVE SUMMARY

Net income was $116,000, or $0.05 per share, for the three months ended

September 30, 2005 as compared to $360,000, or $0.15 per share, for the same

period in 2004. For the nine months ended September 30, 2005, the Company reported net income of $499,000, or $0.20 per share, compared to $1.2 million, or $0.50 per share, for the same period in 2004. The reduction in earnings reflects a reduction in gains on sales of securities and loans and foreclosed real estate combined with higher operating expenses, primarily related to the new branch which opened in the second quarter of 2005, and the addition of a Business Development Officer in the first quarter of 2005 to stimulate commercial loan growth. Additionally, the write-down of an equity holding in the third quarter of 2005 reduced earnings by $116,000. Earnings are being challenged by a flattening yield curve, an expanding delivery system, and increased regulatory costs. Over the past year, the Company has focused on enhancing fee income sources and improving asset quality. The Company is developing strategies to streamline operations and reduce our administrative costs while not impacting our service standards.

RESULTS OF OPERATIONS

The return on average assets and return on shareholders' equity were 0.15% and 2.16%, respectively, for the three months ended September 30, 2005, compared with 0.48% and 6.62%, respectively, for the three months ended September 30, 2004. During the third quarter of 2005 when compared to the third quarter of 2004, net interest income remained relatively consistent while net gains on the sale of securities and loans/real estate decreased by $363,000 and other expenses increased $173,000, or 8%, partially offset by a decrease in the provision for loan losses by 19%, or $21,000 and an increase in other income, exclusive of net gains on sales of securities and loans/real estate, by $97,0000, or 19%.

For the nine months ended September 30, 2005, net income was $499,000, a decrease of $706,000, or 59%, as compared to net income of $1.2 million in 2004. The decrease in net income was primarily a result of a decrease in net gains on the sale of securities and loans and foreclosed real estate of $980,000 and an increase in other expenses of $526,000, partially offset by a reduction of $178,000, or 44%, in loan loss provision, a $434,000, or 101%, reduction in income taxes and an increase in other income, exclusive of net gains on sales of securities and loans/real estate, by $219,000, or 15%. Basic earnings per share decreased to $0.20 per share for the nine months ended September 30, 2005 from $0.50 for the same period in 2004. The return on average assets and return on shareholders' equity were 0.22% and 3.10%, respectively for the nine months ended September 30, 2005, compared with 0.54% and 7.40% for the same period in 2004.

NET INTEREST INCOME

Net interest income is the Company's primary source of operating income for payment of operating expenses and providing for loan losses. It is the amount by which interest earned on interest-earning deposits, loans and investment securities, exceeds the interest paid on deposits and other interest-bearing liabilities. Changes in net interest income and net interest margin result from the interaction between the volume and composition of interest earning assets, interest-bearing liabilities, related yields and associated funding costs.

Net interest income, on a tax-equivalent basis, remained relatively constant at $2.2 million for the three months ended September 30, 2005 when compared to the same period of 2004. The Company's net interest margin for the third quarter of 2005 decreased to 3.21% from 3.28%. Management expects continued margin compression to adversely impact earnings over the near term. The flattening of the yield curve continues to have a negative impact on net interest margin as longer-term assets reprice at relatively static rates while shorter-term deposits and borrowings reprice at higher rates. Average interest-earning assets increased 3% to $279.6 million at September 30, 2005 as compared to $271.6 million at September 30, 2004. The increase in average earning assets is primarily attributable to a $11.3 million increase in investment securities and a $2.1 million increase in loans, partially offset by a $5.5 million decrease in interest-earning deposits. Average interest-bearing liabilities increased $4.6 million, and the cost of funds increased 33 basis points to 2.49% from 2.16% for the same period in 2004. The increase in the average balance of

interest-bearing liabilities resulted primarily from a $7.0 million increase in borrowed funds, partially offset by a $2.4 million decrease in deposits. Short-term borrowings funded the temporary outflow of deposits and the increase in commercial loan demand during the period. The decrease in deposits was primarily due to a reduction in the average balance of NOW accounts, MMDA accounts and Savings accounts of 18%, 11%, an 5%, respectively. These reductions were offset by an 11% increase in time deposits.

For the nine months ended September 30, 2005, net interest income, on a tax-equivalent basis, remained relatively consistent at $6.8 million as compared to the same period during 2004. Net interest margin decreased 5 basis points, to 3.24% at September 30, 2005 from 3.29% at September 30, 2004. Average interest-earning assets increased 2% to $280.3 million at September 30, 2005 as compared to $274.2 million at September 30, 2004, while the yield on interest earning assets increased 14 basis points to 5.45% from 5.31% for the comparable periods. The increase in average earning assets is primarily attributable to an $10.5 million increase in investment securities, partially offset by a $4.2 million decrease in interest-earning deposits. Average interest-bearing liabilities increased $11.6 million and the cost of funds increased 16 basis points to 2.34% from 2.18% for the same period in 2004. The increase in the average balance of interest-bearing liabilities resulted primarily from a $11.9 million increase in average deposits.

INTEREST INCOME

Total interest income, on a tax-equivalent basis, for the quarter ended September 30, 2005 increased $253,000, or 7%, to $3.9 million from $3.6 million at the quarter ended September 30, 2004. Average loans increased $2.2 million, to $189.7 million, with average yields also increasing 17 basis points to 6.36% for the second quarter of 2005. Average commercial loans increased $1.8 million, or 14%, and experienced an increased average yield of 236 basis points to 8.40% from 6.04% in 2004. Average consumer loans increased $1.7 million, or 9%, and experienced an increase in average yield of 77 basis points. The increase in the yield on consumer loans resulted primarily from the effect of the 200 basis point increase in the Bank's prime rate on the adjustable rate home equity products. Average municipal loans increased $1.1 million with an increase in the average tax-equivalent yield to 4.32% from 2.91% in 2004. Increases in the average balance of consumer, commercial and municipal loan portfolios were offset by a decrease in the average balance of the commercial real estate loan portfolio. The average balance of the commercial real estate portfolio decreased $2.0 million, or 7%, while the average yield increased 20 basis points to 7.30% in 2005.

Average investment securities for the quarter ended September 30, 2005 increased by $11.3 million, compared to the same period a year ago, with an increase in tax-equivalent interest income from investments of $153,000, or 22%, compared to the third quarter of 2004. The average tax-equivalent yield of the portfolio increased 24 basis points, to 3.82% from 3.58%. The increase in the average balance of investment securities is a result of the investment of excess liquidity into the securities portfolio in light of the slower loan portfolio growth in the first six months of 2005.

Total interest income, on a tax-equivalent basis, for the nine months ended September 30, 2005 increased $543,000, or 5%, when compared to the nine months ended September 30, 2004. Average loans decreased slightly to $188.3 million from $188.4 million at September 2004, with average yields declining 2 basis points to 6.27% from 6.29%. The average residential and commercial real estate loan portfolios decreased $1.9 million and $2.2 million, respectively. These decreases were offset by an increase in consumer loans of $3.8 million, or 18%.

For the nine months ended September 30, 2005, tax-equivalent interest income from investment securities increased $575,000, or 29%, compared to the same period in 2004. The average tax-equivalent yield of the portfolio increased 46 basis points, to 3.84% from 3.38% combined with a $10.5 million increase in the average balance of investment securities.

INTEREST EXPENSE

Total interest expense increased $235,000 for the three months ended September 30, 2005, when compared to the same quarter in 2004. Deposit expense for the comparable periods increased $141,000, or 15%, as the average rate paid on higher earning money management accounts increased 69 basis points to 2.06% in 2005 from 1.37% in 2004, offset by a $4.7 million decrease in the average balance of money management accounts. The average cost of time deposits increased 34 basis points as existing time deposits matured and repriced into higher rates, combined with an 11% increase in the average balance of time deposit accounts to $92.2 million in 2005 from $82.7 million in 2004. The cost of other interest-bearing deposits decreased 20 basis points, to 0.50% from 0.70% combined with an 8%, or $7.1 million, decrease in the average balance of these deposits resulted in a $57,000 decrease in the cost of funds on NOW and savings accounts. Interest expense on borrowings increased by $95,000, or 20%, from the prior period, resulting from a $7.0 million, or 17%, increase in the average balance of borrowed funds, combined with an increase in the average cost of borrowed funds to 4.75% to 4.63%. The increase in the cost of borrowings primarily resulted from an increase in the average cost of the LIBOR (London Interbank Offered Rate) based junior subordinated debentures to 6.91% from 4.89%.

For the nine months ended September 30, 2005, interest expense increased $435,000, or 16%, to $3.1 million from $2.7 million for the same period in 2004. The average deposit balance increased $11.9 million, combined with a 17 basis point increase in the average cost of deposits to 1.88% from 1.71%. The average cost of borrowed funds increased 25 basis points to 4.71% from 4.46%, offset slightly by a $300,000 decrease in the average balance of borrowed funds.

PROVISION FOR LOAN LOSSES

Provision for loan losses for the quarter ended September 30, 2005 decreased to $91,000 from $112,000 for the same period in 2004, primarily as a result of improved asset quality and stable loan balances. The Company's ratio of allowance for loan losses to period end loans has decreased to 0.97% at September 30, 2005 from 0.98% at December 31, 2004. Nonperforming loans to period end loans decreased to 0.88% at September 30, 2005 from 0.99% at December 31, 2004.

For the nine months ended September 30, 2005, the provision for loan losses was $229,000 as compared to $407,000 for the same period in 2004 primarily resulting from improved asset quality and flat loan growth, as provision and loan growth move in lockstep. Net charge-offs exceeded the provision for loan losses by $26,000, as a portion of the charge-offs relating to commercial credits were previously provided for during 2004.

OTHER INCOME

The Company's other income is primarily comprised of fees on deposit account balances and transactions, loan servicing, commissions, and net gains on securities, loans and foreclosed real estate.

The following table sets forth certain information on other income for the periods indicated:

	Three Months Ended September 30,				Nin Ended S	
	2005	2004	Change		2005	
(Dollars in thousands)						
Service charges on deposit accounts.	$ 356	$ 251	$ 105	41.8%	$ 949	$
Loan servicing fees.	61	66	(5)	-7.6%	146	
Increase in value of bank owned life insurance . .	44	48	(4)	-8.3%	133	
Net gains on sale of loans/foreclosed real estate.	42	128	(86)	-67.2%	30	
Other operating income	138	137	1	0.7%	418	
Core noninterest income.	641	630	11	1.7%	1,676	
Net gain on sales of securities.	(192)	85	(277)	-325.9%	(192)	
Total other income	$ 449	$ 715	$ (266)	-37.2%	$1,484	$

For the three months ended September 30, 2005, income from service charges on deposit accounts increased as the number of deposit accounts increased as the new Central Square branch became fully operational in June 2005, combined with an increase in fees associated with deposit accounts. The decrease in the net gain on sale of loans/foreclosed real estate is primarily due to fewer gains recognized on loan sales due to the decrease in the volume of loans sold into the secondary market and a $16,000 loss recognized on the sale of foreclosed real estate.

For the nine months ended September 30, 2005 service charges on deposit accounts increased $236,000 due to an enhanced deposit account fee program which was implemented in the second quarter of 2005, combined with increased number of new deposit accounts at the new branch location. The decrease in loan servicing fees was primarily due to fewer gains recognized on loan sales due to the decrease in the volume of loans sold into the secondary market. The decrease in net gains on sale of loans/foreclosed real estate was primarily due to a loss on foreclosed real estate in the second and third quarters of 2005, fewer gains recognized on loan sales due to the decrease in the volume of loans sold into the secondary market and a $74,000 gain recognized on a Whispering Oaks Development Inc. lot sale in 2004, which did not recur in 2005. Other income increased primarily as a result of increased foreign ATM fees and debit card usage fees.

The increase in other income for the nine months ended September 30, 2005, was primarily due to recognition of grant income for the Leadership Training program. This income was offset by corresponding expenses reflected in professional fees.

The decrease in the net gains on sales of investment securities for the three and nine month period was the result of a $192,000 write down of an impaired security, combined with the gains recognized in the first and third quarters of 2004 on the sale of corporate stock and mortgage-backed securities.

OTHER EXPENSES

The following table sets forth certain information on other expenses for the quarters indicated:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2005	2004	Change		2005	2004	Change	
(Dollars in thousands)								
Salaries and employee benefits . .	$1,290	$1,201	$ 89	7.41%	$3,807	$ 3,584	$223	6.
Building occupancy	306	289	17	5.88%	878	897	(19)	-2.
Data processing.	315	249	66	26.51%	928	703	225	32.
Professional and other services. .	184	165	19	11.52%	608	493	115	23.
Amortization of intangible assets.	55	55	-	0.00%	166	167	(1)	-0.
Other operating.	343	361	(18)	-4.99%	1,036	1,053	(17)	-1.
Total noninterest expense.	$2,493	$2,320	$ 173	7.46%	$7,423	$ 6,897	$526	7.

For the three months and nine months ended September 30, 2005, salaries and employee benefits increased as a result of increases associated with an expanding commercial lending sales force, the opening of a new branch in June 2005, and decreases in deferred payroll expense as a result of fewer loan originations. The Company had 110 full time equivalent employees at September 30, 2005 compared to 106 at September 30, 2004.

The increase in building occupancy expenses for the three month period primarily resulted from banking house and furniture/fixture depreciation, expenses incurred with the sealing of all branch parking lots and utility/property taxes at the new branch. The nine month decrease was due to decreased machine maintenance expenses and a significant reduction in snow removal costs which occurred in the first quarter of 2004. These decreases were offset by increased depreciation expense and operating costs at the new branch.

The increase in data processing charges for the three and nine month period was primarily due to depreciation and maintenance expense resulting from system hardware and software acquisitions and increased check processing and internet banking charges due to increased customer volume. These increases were offset by a reduction in ATM related expenses as the number of ATM's currently in place has decreased.

The increase in professional and other services for the three and nine month period was primarily due to consulting expenses associated with a fee enhancement program, a leadership training program, strategic planning, advertising and promotional expenses associated with the opening of a new branch, and a capital market analysis. A portion of the expenses associated with the leadership training program was offset by corresponding grant income recorded in other income.

The reduction in other operating expenses for the three and nine month period ending September 30, 2005, was primarily due to decreased postage expense associated with the Nyberg checking account acquisition program in 2004 and a reduction in home equity no cost closing costs and mortgage recording tax due to a lower volume of home equity loans originated.

INCOME TAX EXPENSE

Income taxes decreased $175,000 for the quarter ended September 30, 2005 as compared to the same period in 2004, which was attributable to a decrease in the Company's pre-tax income combined with an increase in tax-exempt interest income. The effective tax rate was -1.0% for the nine months ended September 30, 2005, compared to 26.3% for the nine months ended September 30, 2004. The decrease in the effective tax rate resulted primarily from an increase in tax-exempt interest income in proportion to total taxable income. The Company has reduced its tax rate from the statutory rate primarily through the ownership of tax-exempt investment securities, bank owned life insurance and other tax savings strategies.

CHANGES IN FINANCIAL CONDITION

ASSETS

Total assets increased approximately $1.0 million to $303.1 million at September 30, 2005, from $302.0 million at December 31, 2004. The increase in total assets was primarily the result of an increase in investment securities of $9.4 million, or 13%, offset by a $5.6 million, or 39%, decrease in cash and cash equivalents, a $2.2 million decrease in mortgage loans held for sale and a $1.5 million decrease in net loans receivable. The growth in investment securities was primarily funded with liquidity resulting from deposit growth outpacing net loan originations.

At September 30, 2005, the securities balance included a net unrealized loss on available for sale securities of $548,000, net of taxes, versus a net unrealized loss of $306,000, net of taxes at December 31, 2004. The increase in interest

rates during 2005 and 2004 led to the decline in the fair value of securities during 2005. Management has determined that the declines in fair value are not other than temporary. During the third quarter of 2005, management deemed an equity holding in Federal National Mortgage Association to be other than temporarily impaired and wrote down the holding to its fair value, reducing earnings by $116,0000, net of taxes.

LIABILITIES

Total liabilities increased $1.3 million to $281.5 million at September 30, 2005 from $280.2 million at December 31, 2004. The increase in liabilities is primarily due to a $4.2 and $1.0 million increase in deposits and short-term borrowings, respectively, offset by a $4.0 million reduction in long-term borrowings. The increase in deposits was primarily due to new deposit accounts associated with the opening of the Central Square branch in June 2005. The increase in short-term borrowings is a result of cyclical declines in the deposit balances of certain large municipal customers during the second quarter. These deposit outflows caused the organization to rely on short-term wholesale borrowings for liquidity needs.

LOAN AND ASSET QUALITY AND ALLOWANCE FOR LOAN LOSSES

The following table represents information concerning the aggregate amount of nonperforming assets:

	For the Period Ending		
(In thousands)	September 30, 2005	December 31, 2004	Sep
Nonaccrual loans:			
Commercial	$ 336	$ 776	$
Consumer	126	122	
Real estate - Construction.	0	0	
Mortgage	1,179	953	
Total nonaccrual loans	1,641	1,851	
Loans past due 90 days or more and still accruing.	0	0	
Total non-performing loans	1,641	1,851	
Foreclosed real estate	935	798	
Total non-performing assets.	2,576	2,649	
Non-performing loans to total loans.	0.88%	0.98%	
Non-performing assets to total assets.	0.85%	0.88%	

Total nonperforming loans and foreclosed real estate at September 30, 2005 decreased 11% when compared to December 31, 2004. Nonperforming loans continue to be addressed primarily through increased collection efforts and foreclosure proceedings. Management believes that adequate reserves exist for any potential losses that may occur from the remediation process.

The allowance for loan losses at September 30, 2005 was $1.8 million, or 0.97% of period end loans, compared to 0.98% of period end loans at December 31, 2004.

CAPITAL

Shareholders' equity decreased $248,000, or 1%, to $21.6 million at September 30, 2005. The decrease in shareholders' equity primarily resulted from a $328,000 increase in accumulated other comprehensive loss and a $94,000 reduction in retained earnings, partially offset by a $141,000 increase in additional paid in capital and a $33,000 increase in unearned ESOP shares. The Company added $499,000 to retained earnings through net income and returned $593,000 to its shareholders in the form of cash dividends. The Company's

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mutual holding company parent, Pathfinder Bancorp, M.H.C, accepted the dividend for the quarter ended September 30, 2005. (See Footnote 4).

Risk-based capital provides the basis for which all banks are evaluated in terms of capital adequacy. Capital adequacy is evaluated primarily by the use of ratios which measure capital against total assets, as well as against total assets that are weighted based on defined risk characteristics. The Company's goal is to maintain a strong capital position, consistent with the risk profile of its subsidiary banks that supports growth and expansion activities while at the same time exceeding regulatory standards. At September 30, 2005, Pathfinder Bank exceeded all regulatory required minimum capital ratios and met the regulatory definition of a "well-capitalized" institution, i.e. a leverage capital ratio exceeding 5%, a Tier 1 risk-based capital ratio exceeding 6% and a total risk-based capital ratio exceeding 10%.

LIQUIDITY

Liquidity management involves the Company's ability to generate cash or otherwise obtain funds at reasonable rates to support asset growth and reduce assets to meet deposit withdrawals, to maintain reserve requirements, and to otherwise operate the Company on an ongoing basis. The Company's primary sources of funds are deposits, borrowed funds, amortization and prepayment of loans and mortgage backed securities and maturities of investment securities and other short-term investments, and earnings and funds provided from operations. 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-earning and other assets, which provide liquidity to meet lending requirements, and utilizes short-term borrowings as a source of liquidity when necessary.

The Company's liquidity has been enhanced by its membership in the Federal Home Loan Bank of New York, whose competitive advance programs and lines of credit provide the Company with a safe, reliable and convenient source of funds. A significant decrease in deposits in the future could result in the Company having to seek other sources of funds for liquidity purposes. Such sources could include, but are not limited to, additional borrowings, trust preferred security offerings, brokered deposits, negotiated time deposits, the sale of "available-for-sale" investment securities, the sale of securitized loans, or the sale of whole loans. Such actions could result in higher interest expense costs and/or losses on the sale of securities or loans.

The Asset Liability Management Committee (ALCO) of the Company is responsible for implementing the policies and guidelines for the maintenance of prudent levels of liquidity. As of September 30, 2005, management reported to the Board of Directors that the Company is in compliance with its liquidity policy guidelines.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company continues to aggressively pursue delinquent loan relationships. While this aggressive pursuit, combined with conservative provisioning, has improved the overall quality of the loan portfolio, it has resulted in a temporary increase in foreclosed real estate. The Company's risk of loss arising from adverse changes in the fair value of financial instruments, or market risk, is composed primarily of interest rate risk. The management of interest rate sensitivity seeks to avoid fluctuating net interest margins and to provide consistent net interest income through periods of changing interest rates. The primary objective of the Company's asset-liability management activities is to maximize net interest income while maintaining acceptable levels of interest rate risk. The Company has an Asset-Liability Management

Committee (ALCO) which is responsible for establishing policies to limit exposure to interest rate risk, and to ensure procedures are established to monitor compliance with those policies. Those procedures include 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 and capital. The Company's Board of Directors reviews the guidelines established by ALCO.

Since June of 2004, the Federal Reserve has raised its key short-term interest rate 300 basis points. Management anticipates that the Federal Reserve will continue to raise its target interest rate over the foreseeable future. Net interest margin compression has resulted as the yield curve flattens from sharp increases in short-term interest rate while longer-term rates have remained relatively stable. Management will continue to seek to minimize any reduction in net interest income in a period of rising short-term interest rates to the extent that it can resist raising its cost of funds during this period. The Company is continuing to explore transactions and strategies to both increase its net interest income and minimize its interest rate risk.

GAP ANALYSIS. At September 30, 2005, the total interest bearing liabilities maturing or repricing within one year exceeded total interest-earning assets maturing or repricing in the same period by $48.0 million, representing a cumulative one-year gap ratio of a negative 15.85%.

EARNINGS AT RISK AND VALUE AT RISK. Management believes the simulation of net interest income (Earnings at Risk) and net portfolio value (Value at Risk) in different interest rate environments provides a more meaningful measure of interest rate risk. Income simulation analysis captures both the potential of all assets and liabilities to mature or reprice and the probability that they will do so. Income simulation also attends to the relative interest rate sensitivities of these items, and projects their behavior over an extended period of time. Finally, income simulation permits management to assess the probable effects on the balance sheet not only of changes in interest rates, but also of proposed strategies for responding to them. Net portfolio value represents the fair value of net assets (determined as the market value of assets minus the market value of liabilities using a discounted cash flow technique).

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. The table quantifies the changes in net interest income and net portfolio value to parallel shifts in the yield curve. The column "Percentage Change in Net Interest Income" measures the change to the next twelve month's projected net interest income, due to parallel shifts in the yield curve. The column "Percentage Change in Net Portfolio Value" measures changes in the current fair value of assets and liabilities to parallel shifts in the yield curve. The column "NPV Capital Ratio" measures the ratio of the fair value of net assets to the fair value of total assets at the base case and in 100 basis point incremental interest rate shocks. Currently, the Company's model projects a 300 basis point increase and a 200 basis point decrease during the next year. Given the current interest rate environment, the Company's ALCO believed it was a better measure of current risk assuming a minus 200 point scenario, as a minus 300 basis point reduction would be unlikely given that current short-term market interest rates remain at low levels since the beginning of 2003. 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	NPV Capital Ratio	Earnings at Risk	Value as Risk
300 . . .	7.64%	-16.29%	-34.46%
200 . . .	8.75%	-10.70%	-22.82%
100 . . .	9.83%	-5.24%	-10.90%
0	10.74%	----	----
-100. . .	11.17%	3.82%	6.22%
-200. . .	10.96%	2.86%	6.28%

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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 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.

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PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

None

ITEM 2 - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None

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

NONE

ITEM 5 - OTHER INFORMATION

None

ITEM 6 - EXHIBITS

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

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.

November 14, 2005 /s/ Thomas W. Schneider

Date: Thomas W. Schneider
President, Chief Executive Officer

November 14, 2005 /s/ James A. Dowd

Date: James A. Dowd
Vice President, Chief Financial Officer

EXHIBIT 31.1

Rule 13a-14(a) / 15d-14(a) Certification of the Chief Executive Officer

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 the September 30, 2005 quarterly report on Form 10-Q of Pathfinder Bancorp, Inc.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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-15(e) and 15d-15(e)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 14, 2005 /s/ Thomas W. Schneider

Date Thomas W. Schneider
President and Chief Executive Officer

EXHIBIT 31.2

Rule 13a-14(a) / 15d-14(a) Certification of the Chief Financial Officer

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 the September 30, 2005 quarterly report on Form 10-Q of

Pathfinder Bancorp, Inc.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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-15(e) and 15d-15(e)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 14, 2005 /s/ James A. Dowd

Date James A. Dowd
Vice President and Chief Financial Officer

EXHIBIT 32.1

Section 1350 Certification of the Chief Executive and Chief Financial Officer

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, 2005 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 of the Company.

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, 2005 /s/ Thomas W. Schneider

Date Thomas W. Schneider
President and Chief Executive Officer

November 14, 2005 /s/ James A. Dowd

Date James A. Dowd
Vice President and Chief Financial Officer