PATHFINDER BANCORP INC
Form 10-Q
August 15, 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 JUNE 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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: There were 2,431,632 shares of the Company's common stock outstanding as of August 8, 2003.

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

ASSETS	June 30, 2003
Cash and due from banks.	$ 5,654,667
Interest earning deposits.	1,523,271
Total cash and cash equivalents.	7,177,938
Investment securities.	66,951,482
Mortgage loans held-for-sale	5,644,987
Loans:	
Real estate residential	125,592,960
Real estate commercial.	30,082,077
Consumer.	15,044,256
Commercial.	13,921,756

Total Loans	184,641,049
Less: Allowance for loan losses	1,582,076
Loans receivable, net	183,058,973
Premises and equipment, net	6,124,394
Accrued interest receivable	1,319,409
Other real estate	1,582,622
Goodwill	3,840,226
Intangible asset, net	961,125
Other assets	6,466,387
Total assets	$283,127,543

LIABILITIES AND SHAREHOLDERS' EQUITY

Deposits:	
Interest bearing	$187,705,138
Non-interest bearing	16,817,591
Total deposits	204,522,729
Borrowed funds	48,160,000
Company obligated mandatorily redeemable preferred securities of subsidiary, Pathfinder Statutory Trust I, holding solely junior subordinated debentures of the Company	5,000,000
Other liabilities	3,956,698
Total liabilities	261,639,427
Shareholders' equity:	
Preferred stock, authorized shares 1,000,000; no shares issued or outstanding	
Common stock, par value $.01 and $.10 per share; authorized 10,000,000 shares; 2,916,919 shares issued; and 2,431,632 and 2,610,496 shares outstanding, respectively	29,169
Additional paid in capital	7,162,441
Retained earnings	20,271,455
Accumulated other comprehensive income	592,683
Unearned ESOP shares	(100,973)
Treasury Stock, at cost; 485,287 and 304,173 shares, respectively	(6,466,659)
Total shareholders' equity	21,488,116
Total liabilities and shareholders' equity	$283,127,543

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

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

	For the three months ended June 30, 2003	For the three months ended June 30, 2002
INTEREST INCOME:		
Loans	$ 3,214,487	$ 3,244,249
Interest and dividends on investments:		
U.S. Treasury and agencies	47,564	26,465
State and political subdivisions	59,131	78,260
Corporate obligations	184,393	310,436
Marketable equity securities	52,287	37,740
Mortgage-backed securities	305,754	204,900
Federal funds sold and interest-bearing deposits	13,133	11,288
Total interest income	3,876,749	3,913,338
INTEREST EXPENSE:		
Interest on deposits	979,717	1,170,377
Interest on borrowed funds	552,086	558,570
Total interest expense	1,531,803	1,728,947
Net interest income	2,344,946	2,184,391
Provision for loan losses	259,970	907,348
Net interest income after provision for loan losses	2,084,976	1,277,043
OTHER INCOME:		
Service charges on deposit accounts	215,762	155,004
Loan servicing fees	77,399	78,419
Increase in value of bank owned life insurance	42,867	45,582
Net gain on securities	355,206	573,364
Net gain on loans/real estate	136,214	138,833
Other charges, commissions & fees	147,014	120,260
Total other income	974,462	1,111,462
OTHER EXPENSES:		
Salaries and employee benefits	1,083,580	950,666
Building occupancy	248,704	189,495
Data processing expenses	218,221	183,382
Professional and other services	193,986	224,643
Amortization of intangible asset	55,623	-
Other expenses	540,195	341,515
Total other expenses	2,340,309	1,889,701
Income before income taxes	719,129	498,804
Provision for income taxes	202,534	138,833
NET INCOME	$ 516,595	$ 359,971
NET INCOME PER SHARE - BASIC	$ 0.21	$ 0.14
NET INCOME PER SHARE - DILUTED	$ 0.21	$ 0.14

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

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

	For the six months ended June 30, 2003	For the six months ended June 30, 2002
INTEREST INCOME:		
Loans	$ 6,480,294	$ 6,501,611
Interest and dividends on investments:		
U.S. Treasury and agencies	86,848	64,514
State and political subdivisions	120,687	157,463
Corporate obligations	443,045	627,749
Marketable equity securities	106,983	61,571
Mortgage-backed securities	615,075	474,373
Federal funds sold and interest-bearing deposits	24,804	15,140
Total interest income	7,877,736	7,902,421
INTEREST EXPENSE:		
Interest on deposits	2,007,188	2,390,706
Interest on borrowed funds	1,124,815	1,128,463
Total interest expense	3,132,003	3,519,169
Net interest income	4,745,733	4,383,252
Provision for loan losses	365,826	1,069,581
Net interest income after provision for loan losses	4,379,907	3,313,671
OTHER INCOME:		
Service charges on deposit accounts	377,235	296,708
Loan servicing fees	127,194	123,741
Increase in value of bank owned life insurance	85,734	120,164
Net gain on securities	520,600	617,320
Net gain on loans/real estate	178,520	128,274
Other charges, commissions & fees	249,158	225,130
Total other income	1,538,441	1,511,337
OTHER EXPENSES:		
Salaries and employee benefits	2,196,187	1,734,542

Building occupancy	505,931	369,234
Data processing expenses	416,302	401,394
Professional and other services	357,163	405,677
Amortization of intangible asset	112,058	-
Other expenses	954,326	664,267
Total other expenses	4,541,967	3,575,114
Income before income taxes	1,376,381	1,249,894
Provision for income taxes	366,847	339,373
NET INCOME	$ 1,009,534	$ 910,521
NET INCOME PER SHARE - BASIC	$ 0.42	$ 0.36
NET INCOME PER SHARE - DILUTED	$ 0.41	$ 0.35

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

PATHFINDER BANCORP, INC.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2003
(unaudited)

	Common Stock Issued Shares	Common Stock Issued Amount	Additional Paid in Capital
BALANCE, DECEMBER 31, 2002	2,914,669	$ 29,146	$7,113,81
Comprehensive income:			
Net income			
Other comprehensive income, net of tax			
Unrealized gains on securities:			
Unrealized holding gains arising during period.			
Reclassification adjustment for gains included in net income			
Other comprehensive income, before tax			
Income tax provision			
Other comprehensive income, net of tax			
Comprehensive income:			

ESOP shares earned			33,84
Stock option exercised	2,250	23	14,78
Treasury stock purchased			
Dividends declared ($.20 per share).			
BALANCE, JUNE 30, 2003	2,916,919	$ 29,169	$7,162,44

	Accumulated Other Com- prehensive Income(Loss)	Unearned ESOP Shares	Treasury Stock
Balance, December 31, 2002	$ 280,905	$ (124,467)	$(3,815,02
Comprehensive income:			
Net income			. . . . .
Other comprehensive income, net of tax			
Unrealized gains on securities:			
Unrealized holding gains arising during period			
Reclassification adjustment for gains included in net income			
Other comprehensive income, before tax			
Income tax provision			
Other comprehensive income, net of tax	311,778		
Comprehensive income:			
ESOP shares earned		23,494	
Stock option exercised			
Treasury stock purchased			(2,651,635
Dividends declared ($.20 per share).			
Balance, June 30, 2003	$ 592,683	$ (100,973)	$(6,466,65

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

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

	June 30, 2003	June 30, 2002

OPERATING ACTIVITIES:		
Net income	$ 1,009,534	$ 910,521
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for loan losses	365,826	1,069,581
ESOP and other stock-based compensation earned	57,342	58,577
Proceeds from sale of loans	6,571,595	13,202,434
Originations of loans held-for-sale	(8,513,718)	(10,945,433)
Realized (gain)/loss on:		
Sale of real estate loans through foreclosure	(86,360)	1,788
Loans	(86,153)	(17,083)
Available-for-sale investment securities	(520,600)	(617,320)
Depreciation	247,704	235,698
Amortization of intangible	112,057	-
Amortization of deferred financing costs	15,102	-
Increase in surrender value of life insurance	(85,734)	(120,164)
Net accretion of premiums and discounts on investment securities	83,028	(11,470)
Decrease in interest receivable	14,717	249,595
Net change in other assets and liabilities	670,642	(628,124)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(145,018)	3,388,600
INVESTING ACTIVITIES		
Purchase of investment securities available-for-sale	(22,237,847)	(3,299,497)
Proceeds from maturities and principal reductions of investment securities available-for-sale	11,079,486	4,936,777
Proceeds from sale:		
Real estate acquired through foreclosure	415,167	295,946
Available-for-sale investment securities	7,675,625	1,801,851
Net increase in loans	(4,939,104)	(9,538,990)
Purchase of premises and equipment	(749,927)	(480,377)
NET CASH USED IN INVESTING ACTIVITIES	(8,756,600)	(6,284,290)
FINANCING ACTIVITIES		
Net increase in demand deposits, NOW accounts savings accounts, money market deposit accounts and escrow deposits	1,362,039	7,536,973
Net (decrease) increase in time deposits	(1,361,415)	220,324
Net proceeds from borrowings	5,300,000	-
Proceeds from issuance of trust preferred securities	-	5,000,000
Proceeds from exercise of stock options	14,805	56,633
Cash dividends	(324,643)	(138,791)
Treasury stock purchased	(2,651,635)	(48,835)
NET CASH PROVIDED BY FINANCING ACTIVITIES	2,339,151	12,626,304
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(6,562,467)	9,730,614
Cash and cash equivalents at beginning of period	13,740,405	7,445,844
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 7,177,938	$ 17,176,458
CASH PAID DURING THE PERIOD FOR:		
Interest	$ 3,156,422	$ 3,520,084
Income taxes paid	-	625,000
NON-CASH INVESTING ACTIVITY:		
Transfer of loans to other real estate	515,715	104,359
Increase in unrealized gains and losses on available-for-sale investments securities	(525,630)	(89,326)

NON-CASH FINANCING ACTIVITY:		
Dividends declared and unpaid.	244,188	71,713

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, 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 six months ended June 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 six months ended June 30, using 2,416,888 and 2,431,556 weighted average common shares outstanding for 2003 and 2,576,769 and 2,574,159 for 2002, respectively. Diluted earnings per share for the three month and six month period ending June 30, 2003 and 2002 have been computed using 2,463,962, 2,626,890, 2,477,236 and 2,624,452 shares, respectively. Dilutive 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) 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. Compensation expense for restricted share awards is ratably recognized over the period of vesting, usually the restricted period, based on the fair value of the stock on the grant date.

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 June 30, 2003	2002
Net Income:		
As reported	$516,595	$359,971
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.	$509,525	$332,779

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	For quarter ended June 30, 2003		2002	
Earnings per share:	Basic	Diluted	Basic	Diluted
As reported	$ 0.21	$ 0.21	$ 0.14	$ 0.14
Pro forma	$ 0.21	$ 0.21	$ 0.13	$ 0.13

	For six months ended June 30, 2003	2002
Net Income:		
As reported	$1,009,534	$910,521
Less: Total stock-based employee compensation expense determined under Black-Scholes option pricing model, net of tax effect.	14,140	54,384
Pro forma net income.	$995,394	$856,137

	For six months ended June 30, 2003		2002	
Earnings per share:	Basic	Diluted	Basic	Diluted
As reported	$ 0.42	$ 0.41	$ 0.36	$ 0.35
Pro forma	$ 0.41	$ 0.40	$ 0.33	$ 0.33

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 $570,000 balance, representing Pathfinder Bancorp, M.H.C.'s portion of dividends waived as of June 30, 2003.

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 June 30, 2003, Pathfinder Bancorp, Inc.'s only business was the 100% ownership of Pathfinder Bank and Pathfinder Statutory Trust I. At June 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 848,393 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 June 30, 2003 and the results of operations for the three months and six months ended June 30, 2003 and June 30, 2002.

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 in 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 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 $4.1 million, or 1%, to $283.1 million at June 30, 2003 from $279.1 million at December 31, 2002. The increase in total assets was primarily the result of a $4.4 million increase in investment securities, an increase in net loans receivable of $4.1 million, and a $2.0 million increase in mortgage loans held for sale. The increase in net loans

receivable is primarily due to a $6.0 million increase in residential real estate loans and a $726,000 increase in commercial loans, partially offset by a decrease in commercial real estate loans of $2.6 million and consumer loans of $24,000. These increases were partially offset by a $6.6 million decrease in cash and cash equivalents. The decrease in cash and cash equivalents primarily resulted from $5.0 million in cash proceeds received in June 2002 from the Company's participation in a pooled trust preferred issuance. The proceeds have since been invested in the Company's investment and loan portfolios and facilitated the purchase of $2.3 million of treasury stock relating to a privately negotiated stock repurchase agreement in January of 2003.

LIABILITIES

Total liabilities increased by $5.8 million, or 2%, to $261.6 million at June 30, 2003 from $255.8 million at December 31, 2002. The increase is primarily attributable to a $5.3 million, or 12%, increase in borrowed funds and a $513,000 increase in other liabilities. Borrowed funds were utilized to fund the Company's growth in its investment and loan portfolios.

LIQUIDITY AND CAPITAL RESOURCES

Shareholders' equity decreased $1.7 million, or 8%, to $21.5 million at June 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, offset by an increase in retained earnings of $526,000 and a $312,000 increase in accumulated other comprehensive income. 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. The repurchase represented approximately 6% of the Company's outstanding common stock as of December 31, 2002. The increase in retained earnings is the result of net income of $1.0 million, partially offset by dividends declared of $484,000 during the first six months of 2003. The Company's mutual holding company parent, Pathfinder Bancorp, M.H.C, accepted the dividends for the quarter ended June 30, 2003 in order to meet its current liquidity obligations.

The Company's primary sources of funds are deposits, amortization and prepayment 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 June 30, 2003, the Company has $30.4 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 $517,000 for the three months ended June 30, 2003, as compared to $360,000 for the same period during 2002. The increase in net income of $157,000, or 44%, for the three months ended June 30, 2003, resulted primarily from an increase of $808,000, or 63%, in net interest income after provision for loan losses, offset by a decrease of $137,000, or 12%, in other income, an increase of $450,000, or 24%, in operating expenses and an increase of $64,000, or 46%, in provision for income taxes.

For the six months ended June 30, 2003, the Company recorded net income of $1.0 million as compared to $911,000 for the same period in the prior year. The increase in net income of $99,000, or 11%, for the six months ended June 30, 2003, was primarily the result of an increase in net interest income after provision for loan losses of $1.1 million, or 32%, and an increase of $27,000 in other income, offset by an increase in other operating expenses of $967,000, or 27%, and an increase in provision for income taxes of $27,000, or 8%.

Annualized return on average assets and return on average shareholders' equity were 0.73% and 9.71%, respectively, for the three months ended June 30, 2003 compared to 0.57% and 6.21% for the second quarter of 2002. Earnings per share - basic was $0.21 for the second quarter of 2003 compared to $0.14 for the same period in 2002. For the six months ended June 30, 2003, the same performance measurements were 0.72% and 9.56%, as compared to 0.73% and 7.95% for the same period in the prior year. Earnings per share-basic for the six months ended June 30, 2003 was $0.42 compared to $0.36 for the same period in 2002.

INTEREST INCOME

Three month period

Interest income, on a tax-equivalent basis, remained relatively consistent, at $3.9 million for the quarter ended June 30, 2003, as compared to the quarter ended June 30, 2002. The average balance of interest-earning assets increased to $253.0 million for the three months ended June 30, 2003 from $231.6 million in the prior year period, offset by a decrease in the tax equivalent yield on average interest-earning assets to 6.16% from 6.81%. 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 June 30, 2003 as compared to the same period in the prior

year. The average balance of loans receivable increased $9.1 million, or 5%, to $186.7 million at June 30, 2003 from $177.6 million at June 30, 2002. The increase in the average balance was partially offset by a decrease in the average yield on loans receivable to 6.89% from 7.30%.

Interest income on the mortgage-backed securities portfolio increased by $101,000, or 49%, to $306,000 for the three months ended June 30, 2003, from $205,000 for the three months ended June 30, 2002. The increase in interest income on mortgage-backed securities resulted from an increase in the average balance of mortgage-backed securities of $13.6 million, or 88%, partially offset by a decrease in the average yield on mortgage-backed securities to 4.23% from 5.35%.

Interest income on investment securities, on a tax equivalent basis, decreased $116,000, or 24%, for the three months ended June 30, 2003 to $364,000 from $480,000 for the same period in 2002. The decrease resulted primarily from a decrease in the tax equivalent yield of investment securities to 4.35% from 5.48% and a decrease in the average balance of investment securities of $1.5 million, or 4%.

Interest income on interest-earning deposits increased $2,000, to $13,000 from $11,000 for the three months ended June 30, 2003. The increase is the result of a $416,000 increase in the average balance of interest-earning deposits, combined with an increase in the average yield to 1.31% from 1.22% for the same period in the prior year.

Six Month Period

Interest income, on a tax equivalent basis, remained relatively consistent at $7.9 million for the six months ended June 30, 2003 and the same period in 2002. The tax-equivalent yield on interest-earning assets decreased to 6.36% from 6.95%, partially offset by an increase in the average balance of interest-earning assets of $20.3 million, or 9%, to $249.2 million from $228.9 million.

For the six months ended June 30, 2003, interest income on loans receivable decreased $19,000 as compared to the same period in the prior year. Average loans receivable increased $10.4 million, or 6%, while the yield on average loans receivable decreased to 6.98% from 7.41%.

For the six months ended June 30, 2003 and 2002, interest income on mortgage-backed securities was $615,000 and $474,000, respectively, an increase of $141,000, or 30%. The increase resulted primarily from an increase in the average balance of mortgage-backed securities of $9.1 million, or 56%, offset by a decrease in the average yield on mortgage-backed securities to 4.88% from 5.88%. The increase in the average balance of mortgage backed securities resulted from purchases of $17.9 million, partially offset by maturities and principal redemptions.

For the six months ended June 30, 2003, tax equivalent interest income on investment securities decreased $155,000, or 16%, to $802,000 compared to $957,000 for the same period in 2002. The decrease resulted primarily from a decrease in the average balance of investment securities of $888,000 and a decrease in the tax equivalent yield on investment securities to 4.68% from 5.44%.

INTEREST EXPENSE

Three Month Period

Interest expense for the quarter ended June 30, 2003 decreased by approximately $197,000, or 11%, to $1.5 million from $1.7 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 2.04% from 2.90%, partially offset by an increase of $30.7 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 increased to 4.67% from 4.52%, partially offset by a $2.1 million decrease in the average balance of borrowings. The increase in the cost of borrowings was primarily due to the June 2002 issuance of the $5.0 million in debentures underlying the mandatory redeemable trust preferred security having an average cost of funds of 4.81% for the six months ending June 2003.

Six Month Period

For the six months ended June 30, 2003, interest expense decreased $387,000, or 11%, when compared to the first six months of 2002. The decrease in interest expense for the period was the result of a decrease in the average cost of interest bearing liabilities to 2.66%, from 3.35%, offset by an increase in the average balance of interest bearing liabilities of $25.6 million, or 12%. The decrease primarily resulted from the average cost of interest-bearing deposits decreasing to 2.08% from 2.99%, partially offset by 21% increase in the average balance of interest-bearing deposits.

NET INTEREST INCOME

Net interest income, on a tax equivalent basis, increased $157,000, or 7%, to $2.4 million for the quarter ended June 30, 2003, when compared to the same period in the prior year.

For the six months ended June 30, 2003, net interest income, on a tax equivalent basis, increased $363,000, or 8%, when compared to the same period in the prior year.

Net interest margin for the quarter ended June 30, 2003 decreased to 3.74% from 3.82% when compared to the same period in the prior year. For the six months ended June 30, 2003, net interest margin decreased to 3.85%, from 3.87%.

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 June 30, 2003 of $260,000, as compared to a provision of $907,000 for the three months ended June 30, 2002.

In the first six months of 2002, the Company took actions to increase reserves to address the deterioration in credit quality of two commercial lending relationships. During the second half of 2002, the Company foreclosed on the assets of one of the borrowers and transferred the net realizable value of the assets to other real estate owned and charged-off the other relationship. The Company's allowance for loan losses to nonperforming loans ratio improved to 124.37% at June 30, 2003 as compared to 61.15% at June 30, 2002. Similar improvement was noted when comparing the ratio of nonperforming loans to total loans of .69% at June 30, 2003 to the June 30, 2002 ratio of 2.01%. The Company had nonperforming loans of $1.3 million at June 30, 2003. The Company has experienced a reduction in delinquent loans (greater than 30 days past due) to $3.5 million from $6.1 million at December 31, 2002. $2.0 million of the reduction in delinquencies related to the modification of a commercial lending relationship that is now current under the new terms. The decrease in delinquent loans is attributable to management's efforts to improve loan collection procedures, loss mitigation efforts and the retention of an outside consulting firm to perform a review of the commercial loan portfolio.

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 gains and losses. Noninterest income, net of gains and losses from the sale of securities, loans and other real estate, increased 21% to $483,000 for the quarter ended June 30, 2003 compared to $399,000 for the same period in the prior year. The increase in noninterest income is primarily attributable to a $61,000 increase in service charges on deposit accounts and a $27,000 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 decreased $218,000 to $355,000 for the quarter ended June 30, 2003 compared to $573,000 for the same period in the prior year.

For the six months ended June 30, 2003, noninterest income, net of gain and losses from the sale of securities, loans and other real estate, increased 10% to $839,000 compared to $766,000 for the same period in the prior year. The increase in noninterest income is primarily attributable to an $81,000 increase in service charges on deposit accounts and a $24,000 increase in other charges, commissions and fees. Net gains and losses from the sale of securities decreased $97,000 to $521,000 from $617,000 for same period in the prior year.

The $50,000 increase in net gain on loans and other real estate resulted from an increase in gain recognized on real estate loans sold to the secondary market.

NONINTEREST EXPENSE

Noninterest expenses increased 24% to $2.3 million for the quarter ended June 30, 2003, when compared to the same period in the prior year. The increase in noninterest expenses was due to a $133,000 increase in salary and employee benefits, a $59,000 increase in building occupancy expenses, a $35,000 increase in data processing expenses, a $56,000 increase in the amortization of intangible asset and an $199,000 increase 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. In addition, the increase in other expenses resulted primarily from $164,000 in nonrecurring expenses relating to personnel realignment. These increases were partially offset by a $31,000 decrease in professional and other services.

For the six months ended June 30, 2003, noninterest expense increased $967,000, or 27%, compared to the same period in 2002. The increase in noninterest expense was the result of a $462,000, or 27%, increase in salary and employee benefits, a $137,000, or 37%, in building occupancy expenses, an $112,000 increase in amortization expenses and a $290,000, or 44%, 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 $49,000, or 12%, in professional and other service expense.

INCOME TAXES

Income taxes increased $64,000 for the quarter ended June 30, 2003 as compared to the same period in the prior year. This increase was primarily attributable to a $220,000 increase in the Company's pre-tax income. The effective tax rate is consistent at 28% when compared to the same period in the prior year.

For the six months ended June 30, 2003, income taxes increased $27,000, or 8%, as compared to the six months ended June 30, 2002. The effective tax rate is consistent at 27% 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 June 30, 2003, there were $6.0 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 June 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 $25.6 million, representing a cumulative one-year gap ratio of a negative 9.03%.

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 50 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 June 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. The Company's current interest rate risk exposure is within those guidelines set forth.

CHANGE IN INTEREST RATES INCREASE (DECREASE) BASIS POINTS (RATE SHOCK)	EARNINGS AT RISK	VALUE AT RISK
300	-8.47%	-24.77%
200	-5.16%	-14.72%
100	-2.06%	- 5.57%
Base Case		
(100)	1.52%	1.32%
(200)	-1.12%	6.49%
(300)	-6.81%	13.89%

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

The Company's Meeting of Shareholders was held on April 30, 2003. The following are the items voted on and the results of the shareholder voting.

1. The election of Bruce E. Manwaring, L. William Nelson and George P. Joyce to serve as directors of the Company, each for a term of three years or until his successor has been elected and qualified.

Name	For	Withheld
Bruce E. Manwaring	2,379,273	8,074
L. William Nelson	2,379,273	8,074
George P. Joyce	2,373,119	14,228

Set forth below are the names of the other directors of the Bank and their terms of office.

Name	Term Expires
Steven W. Thomas	2004
Corte J. Spencer	2004
Janette Resnick	2004
Chris C. Gagas	2005

Thomas W. Schneider	2005
Chris R. Burritt	2005
Raymond W. Jung	2005

2. The ratification of the appointment of Pricewaterhouse Coopers, LLP as auditors for the fiscal year ending December 31, 2003.

	For	Against	Abstain
Number of Votes	2,441,882	7,624	1,918

OTHER INFORMATION

On June 17, 2003, the Board of Directors declared a $.10 cash dividend to shareholders of record as of June 30, 2003, payable on July 15, 2003. On July 24, 2003, the Board of Directors named Janette Resnick Chair of the Pathfinder Bancorp, Inc. and Pathfinder Bank. Mrs. Resnick replaces Chris C. Gagas who stepped down as chairman. Mrs. Resnick, who joined the board in 1996, assumes the role of chair effective immediately.

EXHIBITS AND REPORTS ON FORM 8-K

Exhibit 31.1 - Certification pursuant to Section 302 of the Sarbanes-Oxley act of 2002.

Exhibit 31.2 - Certification pursuant to Section 302 of the Sarbanes-Oxley act of 2002.

Exhibit 32.1 - Officers' Certification Pursuant to Section 906 of the Sarbanes-Oxley act of 2002.

The Company had two Current Reports on Form 8-K during the second quarter ending June 30, 2003 dated April 25, 2003 and May 14, 2003 reporting the first quarter earnings release and an adjustment to the first quarter earnings release, respectively.

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-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 quarterly report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter 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 officers 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.

Date: August 14, 2003 /s/ Thomas W Schneider

Thomas W. Schneider, President and Chief Executive 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 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-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 quarterly report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter 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 officers 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.

Date: August 14, 2003 /s/ James A . Dowd

James A. Dowd, Vice President 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.

/s/ Thomas W. Schneider

Date: August 14, 2003
Thomas W. Schneider
President, Chief Executive Officer

/s/ James A. Dowd

Date: August 14, 2003
James A. Dowd
Vice President, 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 June 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.

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