PATHFINDER BANCORP INC
Form 10-Q
November 13, 2002

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, 2002

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 2,607,513 shares of the Company's common stock outstanding as of November 8, 2002.

PATHFINDER BANCORP, INC.

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PATHFINDER BANCORP, INC.
CONSOLIDATED STATEMENTS OF CONDITION
SEPTEMBER 30, 2002 (UNAUDITED) AND DECEMBER 31, 2001

ASSETS	Septem 2002
Cash and due from banks	$ 5,332
Interest earning deposits	7,505
Total cash and cash equivalents	12,837
Investment securities	52,986
Mortgage loans held-for-sale	3,449
Loans:	
Real estate residential	123,652
Real estate commercial	31,941
Consumer	2,952
Commercial	14,410

Total Loans	172,957
Less: Allowance for loan losses	1,680
Loans receivable, net	171,276
Premises and equipment, net	5,238
Accrued interest receivable	1,468
Other real estate	1,420
Goodwill	2,341
Other assets	7,164
Total assets	$258,183

LIABILITIES AND SHAREHOLDERS' EQUITY

Deposits:	
Interest bearing	$166,774
Non-interest bearing	13,044
Total deposits	179,819
Borrowed funds	46,644
Company obligated mandatorily redeemable preferred securities of subsidiary, Pathfinder Statutory Trust I, holding solely junior subordinated debentures of the Company	5,000
Other liabilities	3,489
Total liabilities	234,952
Shareholders' equity:	
Preferred stock, authorized shares 1,000,000; no shares issued or outstanding	
Common stock, par value $.01 per share; authorized 10,000,000 shares; 2,906,686 and 2,894,220 shares issued; and 2,602,513 and 2,600,995 shares outstanding 2002 and 2001, respectively	29
Additional paid in capital	7,050
Retained earnings	19,936
Accumulated other comprehensive income	162
Unearned ESOP shares	(131
Treasury Stock, at cost; 304,173 and 293,225 shares, respectively	(3,815
Total shareholders' equity	23,231
Total liabilities and shareholders' equity	$258,183

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

PATHFINDER BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2002 AND SEPTEMBER 30, 2001

(UNAUDITED)

	September 30, 2002	September 30, 2001
INTEREST INCOME:		
Loans	$ 3,191,513	$ 3,133,892
Interest and dividends on investments:		
U.S. Treasury and agencies	53,370	89,132
State and political subdivisions	77,429	81,313
Corporate obligations	279,202	373,385
Marketable equity securities	47,851	54,489
Mortgage-backed securities	208,655	309,416
Federal funds sold and interest-bearing deposits	60,168	32,718
Total interest income	3,918,188	4,074,345
INTEREST EXPENSE:		
Interest on deposits	1,139,458	1,544,769
Interest on borrowed funds	628,613	552,730
Total interest expense	1,768,071	2,097,499
Net interest income	2,150,117	1,976,846
Provision for loan losses	138,424	38,528
Net interest income after provision for loan losses	2,011,693	1,938,318
OTHER INCOME:		
Service charges on deposit accounts	155,111	136,552
Loan servicing fees	74,368	53,937
Increase in value of bank owned life insurance	43,582	61,868
Net gain on securities, loans and other real estate	2,562	(39,682)
Other charges, commissions & fees	94,321	119,021
Total other income	369,944	331,696
OTHER EXPENSES:		
Salaries and employee benefits	999,444	752,666
Building occupancy	184,435	190,391
Data processing expenses	184,480	192,725
Professional and other services	189,538	170,053
Amortization of goodwill	-	78,939
Other expenses	354,535	304,842
Total other expenses	1,912,432	1,689,616
Income before income taxes	469,205	580,398
Provision for income taxes	120,379	137,415
NET INCOME	$ 348,826	$ 442,983
NET INCOME PER SHARE - BASIC	$ 0.11	$ 0.17

NET INCOME PER SHARE - DILUTED	$ 0.11	$ 0.17

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

PATHFINDER BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002 AND SEPTEMBER 30, 2001
(UNAUDITED)

	September 30, 2002	September 30, 2001
INTEREST INCOME:		
Loans	$ 9,693,124	$ 9,360,114
Interest and dividends on investments:		
U.S. Treasury and agencies	117,884	327,472
State and political subdivisions	234,892	253,889
Corporate obligations	906,951	1,165,198
Marketable equity securities	109,422	137,605
Mortgage-backed securities	683,028	1,005,702
Federal funds sold and interest-bearing deposits	75,308	56,989
Total interest income	11,820,609	12,306,969
INTEREST EXPENSE:		
Interest on deposits	3,530,164	4,760,037
Interest on borrowed funds	1,757,076	1,827,401
Total interest expense	5,287,240	6,587,438
Net interest income	6,533,369	5,719,531
Provision for loan losses	1,208,005	578,739
Net interest income after provision for loan losses	5,325,364	5,140,792
OTHER INCOME:		
Service charges on deposit accounts	451,819	392,418
Loan servicing fees	198,109	126,154
Increase in value of bank owned life insurance	163,746	143,041
Net gain on securities, loans and other real estate	754,575	429,144
Other charges, commissions & fees	319,451	323,810
Total other income	1,887,700	1,414,567
OTHER EXPENSES:		
Salaries and employee benefits	2,733,986	2,239,876
Building occupancy	553,669	617,502
Data processing expenses	585,874	566,881
Professional and other services	595,215	525,577

Amortization of goodwill.	-	236,817
Other expenses.	1,025,221	911,658
Total other expenses.	5,493,965	5,098,311
Income before income taxes.	1,719,099	1,457,048
Provision for income taxes.	452,911	391,435
NET INCOME.	$ 1,266,188	$ 1,065,613
NET INCOME PER SHARE - BASIC	$ 0.49	$ 0.42
NET INCOME PER SHARE - DILUTED	$ 0.48	$ 0.41

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

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

	Common Stock Issued Shares	Amount	Additional Paid in Capital	Retaine Earning
BALANCE, DECEMBER 31, 2001	2,894,220	$ 28,942	$6,917,817	$19,015,
Comprehensive income:				
Net income				1,266,1
Other comprehensive income, net of tax				
Unrealized gains on securities:				
Unrealized holding gains arising during period				
Reclassification adjustment for gains included in net income				
Other comprehensive income, before tax				
Income tax provision				
Other comprehensive income, net of tax				
Comprehensive income:				
ESOP shares earned			48,243	
Stock option exercised	12,466	125	84,474	
Treasury stock purchased				
Dividends declared ($.22 per share).				(345,
BALANCE, SEPTEMBER 30, 2002.	2,906,686	$ 29,067	$7,050,534	$19,936

	Comprehensive Income(Loss)	Accumulated Other Com-prehensive Income	Unearned ESOP Shares
BALANCE, DECEMBER 31, 2001	$ -	$ 80,652	$(173,142)
Comprehensive income:			
Net income	1,266,188		
Other comprehensive income, net of tax			
Unrealized gains on securities:			
Unrealized holding gains arising during period.	752,661		
Reclassification adjustment for gains included in net income	(617,320)		
Other comprehensive income, before tax	135,341		
Income tax provision	(53,956)		
Other comprehensive income, net of tax	81,385	81,385	
Comprehensive income:	1,347,573		
ESOP shares earned			41,554
Stock option exercised			
Treasury stock purchased			
Dividends declared ($.22 per share)			
BALANCE, SEPTEMBER 30, 2002.	$ -	$ 162,037	$(131,588)

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

PATHFINDER BANCORP, INC.
STATEMENTS OF CASH FLOWS
For the nine months ended September 30, 2002 and September 30, 2001
(unaudited)

	September 30, 2002	September 30, 2001
OPERATING ACTIVITIES:		
Net income	1,266,188	1,065,613
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses.	1,208,005	578,739
ESOP and other stock-based compensation earned	89,797	58,938

Deferred income tax benefit	(139,214)	(201,213)
Proceeds from sale of loans	15,873,671	9,257,819
Originations of loans held-for-sale	(14,049,992)	(12,514,787)
Realized loss/(gain) on:		
Sale of real estate loans through foreclosure	9,253	33,602
Loans	(2,628)	(16,714)
Available-for-sale investment securities	(617,320)	(446,229)
Depreciation	351,083	351,108
Amortization of goodwill	-	236,817
Amortization of deferred financing costs	1,312	-
Increase in surrender value of life insurance	(163,746)	(143,040)
Net accretion of premiums and discounts on investment securities	(31,359)	(7,675)
(Increase) decrease in interest receivable	(2,777)	50,660
Net change in other assets and liabilities	(442,323)	(993,308)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,349,950	(2,689,670)
INVESTING ACTIVITIES		
Purchase of investment securities available-for-sale	(9,915,570)	(1,823,332)
Proceeds from maturities and principle reductions of investment securities available-for-sale	9,335,953	4,584,055
Proceeds from sale:		
Real estate acquired through foreclosure	311,546	306,065
Available-for-sale investment securities	1,799,602	5,372,845
Net increase in loans	(11,005,831)	(7,122,340)
Purchase of premises and equipment	(660,273)	(300,240)
NET CASH USED IN INVESTING ACTIVITIES	(10,134,573)	1,017,053
FINANCING ACTIVITIES		
Net increase in demand deposits, NOW accounts savings accounts, money market deposit accounts and escrow deposits	6,542,303	8,361,232
Net increase (decrease) in time deposits	3,687,675	(2,353,440)
Net repayments from borrowings	(2,796,500)	(2,457,000)
Proceeds from trust preferred obligation	4,849,000	-
Proceeds from exercise of stock options	84,599	-
Cash dividends	(208,719)	(468,269)
Treasury stock purchased	(129,865)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	12,028,493	3,082,523
INCREASE IN CASH AND CASH EQUIVALENTS	5,243,870	1,409,906
Cash and cash equivalents at beginning of period	7,593,956	4,155,343
CASH AND CASH EQUIVALENTS AT END OF PERIOD	12,837,826	5,565,249
CASH PAID DURING THE PERIOD FOR:		
Interest	5,296,620	6,568,104
Income taxes paid	690,000	419,618
NON-CASH INVESTING ACTIVITY:		
Transfer of loans to other real estate	1,108,693	337,913
Increase in unrealized gains and losses on available-for-sale investments securities	(135,341)	(1,313,031)
Securitization of loans and held as an investment security	-	-
NON-CASH FINANCING ACTIVITY:		
Dividends declared and unpaid	208,201	69,068

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, 2001 and for the three year period then ended. Therefore, only material changes in financial condition and results of operations are discussed in the remainder of part 1.

Operating results for the three months and nine months ended September 30, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002.

2) EARNINGS PER SHARE

Basic earnings per share have been computed based upon net income for the three months and nine months ended September 30, using 2,579,602 and 2,575,993 weighted average common shares outstanding for 2002 and 2,567,722 and 2,565,364 for 2001. Diluted earnings per share for the three months and nine months ended September 30, 2002 and 2001, has been computed using 2,617,651, 2,622,160, 2,626,470 and 2,592,793 shares, respectively. Dilutive earnings per share gives effect to weighted average shares which would be outstanding assuming the exercise of issued stock options using the treasury stock method.

3) 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.

4) DIVIDEND RESTRICTIONS

The Company maintains a restricted capital account with a $443,000 balance, representing Pathfinder Bancorp, MHC's portion of dividends waived as of September 30, 2002.

5) TRUST PREFERRED POOL TRANSACTION

On June 26, 2002, the Company formed a wholly owned subsidiary, Pathfinder Statutory Trust I, a Connecticut business trust. The trust issued $5,000,000 of 30 year floating rate Company-obligated pooled capital securities of Pathfinder Statutory Trust I. The Company borrowed the proceeds of the capital securities from its subsidiary by issuing floating rate junior subordinated deferrable interest debentures having substantially similar terms. The capital securities mature in 2032 and are treated as Tier 1 capital by the Federal Deposit Insurance Company and the Office of Thrift Supervision. The capital securities of the trust are a pooled trust preferred fund of Preferred Term Securities VI, Ltd, and are tied to the 3 month LIBOR plus 3.45%, with a five year call provision. All of these securities are guaranteed by the Company.

6) SUBSEQUENT EVENTS

On October 25, 2002, the Company's subsidiary, Pathfinder Bank, completed the purchase of assets and the assumption of non-municipal deposits of the Lacona, New York branch of Cayuga Bank. In addition, Pathfinder Commercial Bank has received regulatory authorization to operate as a limited-purpose commercial bank subsidiary of Pathfinder Bank. Pathfinder Commercial Bank has been established to serve the depository needs of public entities in its market area and has assumed the deposit liabilities of the municipal depositors of the Lacona branch. The transactions include approximately $26.4 million in deposits, $2.3 million in loans, vault cash and the facility and equipment and reflects a deposit premium of approximately $2.5 million.

7) NEW ACCOUNTING PRONOUNCEMENTS

On October 1, 2002, Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 147, "Accounting for Certain Acquisitions of Banking or Thrift Institutions." Statement 147 changes how the Company accounts for goodwill arising from branch acquisitions. Under previous FASB rulings, the goodwill arising from branch acquisitions was classified as an "unidentifiable intangible asset" and therefore subject to amortization. Statement 147 now classifies this intangible as goodwill. In accordance with the provisions of Statement 147, previously issued statements will be restated to remove the amortization expense recorded on the goodwill since January 1, 2002. Current FASB guidelines require goodwill not be amortized, but carried on a company's books as an asset and reviewed periodically for impairment.

As of September 30, 2002, no impairment adjustment has been made to goodwill. The impact of the pronouncement on the financial statements is as follows:

	For the three months ended September 30, 2002	For the three months ended September 30, 2001	For t month Septembe
		(in thousands except	Earnings
Reported net income	$ 349	$ 443	$
Add back: goodwill amortization, net of tax .	-	48	
Adjusted net income	$ 349	$ 491	$
Basic earnings per share:			
Reported net income	$ 0.11	$ 0.17	$
Goodwill amortization, net of tax	-	0.02	
Adjusted net income	$ 0.11	$ 0.19	$
Diluted earnings per share:			
Reported net income	$ 0.11	$ 0.17	$
Goodwill amortization, net of tax	-	0.02	

Adjusted net income	$ 0.11	$ 0.19	$

In accordance with the provisions of Statement 147, the Company has adopted this Statement retroactive to January 1, 2002, with the impact of the restatement on previously issued Form 10Q's as of March 31, 2002 and June 30, 2002 contained below:

	For the three months ended March 31, 2002	For the three months ended June 30, 2002	For the six months ended June 30, 2002
	(in thousands except Earnings per Share Data)		
Reported net income	$ 502	$ 312	$ 814
Add back: goodwill amortization, net of tax	48	48	96
Restated net income	$ 550	$ 360	$ 910
Basic earnings per share:			
Reported net income	$ 0.20	$ 0.12	$ 0.32
Goodwill amortization, net of tax	0.02	0.02	0.04
Restated net income	$ 0.22	$ 0.14	$ 0.36
Diluted earnings per share:			
Reported net income	$ 0.19	$ 0.12	$ 0.31
Goodwill amortization, net of tax	0.02	0.02	0.04
Restated net income	$ 0.21	$ 0.14	$ 0.35

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 which 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, Pathfinder REIT Inc., Whispering Oaks Development Corp and Pathfinder Statutory Trust I. At September 30, 2002, Pathfinder Bancorp, Inc.'s only business was the 100% ownership of Pathfinder Bank and Pathfinder Statutory Trust I. Pathfinder Bank owns Pathfinder REIT, Inc. and Whispering Oaks Development Corp. At September 30, 2002, 1,583,239 shares, or 60.8%, of the Company's common stock was held by Pathfinder Bancorp, MHC, the Company's mutual holding company parent and 1,019,274 shares, or 39.2%, was 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, borrowed funds and the interest paid on the trust preferred obligation. The Company's net income also is affected by its provision for loan losses, as well as by the amount of non interest income, including income from fees and service charges, net gains and losses on sales of securities, 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.

On October 1, 2002, Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 147, "Accounting for Certain Acquisitions of Banking or Thrift Institutions." Statement 147 changes how the Company accounts for goodwill arising from branch acquisitions. Under previous FASB rulings, the goodwill arising from branch acquisitions was classified as an "unidentifiable intangible asset" and therefore subject to amortization. Statement 147 now classifies this intangible as goodwill. In accordance with the provisions of Statement 147, previously issued statements will be restated to remove the amortization expense recorded on the goodwill since January 1, 2002. Current FASB guidelines require goodwill not be amortized, but carried on a company's books as an asset and reviewed periodically for impairment.

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Basic earnings per share:			
Reported net income	$ 0.11	$ 0.17	$
Goodwill amortization, net of tax	-	0.02	
Adjusted net income	$ 0.11	$ 0.19	$
Diluted earnings per share:			
Reported net income	$ 0.11	$ 0.17	$
Goodwill amortization, net of tax	-	0.02	
Adjusted net income	$ 0.11	$ 0.19	$

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Restated net income	$ 550	$ 360	$ 910
Basic earnings per share:			
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Goodwill amortization, net of tax	0.02	0.02	0.04
Restated net income	$ 0.22	$ 0.14	$ 0.36
Diluted earnings per share:			
Reported net income	$ 0.19	$ 0.12	$ 0.31
Goodwill amortization, net of tax	0.02	0.02	0.04
Restated net income	$ 0.21	$ 0.14	$ 0.35

The following discussion reviews the financial condition at September 30, 2002 and the results of operations of the Company for the three months and nine months ended September 30, 2002 and September 30, 2001.

Financial Condition

Assets

Total assets increased approximately $13.7 million, or 5.6%, to $258.2 million at September 30, 2002 from $244.5 million at December 31, 2001. The increase in total assets is primarily attributable to a $5.2 million increase in cash and cash equivalents, an $8.7 million increase in net loans receivable, a $788,000 increase in other real estate and an $893,000 increase in other assets, partially offset by a decrease of $1.8 million in mortgage loans held-for-sale. The increase in net loans receivable is primarily due to a $7.6 million increase in residential real estate loans, a $1.5 million increase in commercial real estate and commercial loans, partially offset by a $400,000 decrease in consumer loans. The increase in loans was principally funded by an increase of $10.2 million in deposits and proceeds from amortization, maturities, and sales of investment securities.

Liabilities

Total liabilities increased by $12.6 million, or 5.7%, to $235.0 million at September 30, 2002 from $222.4 million at December 31, 2001. The increase is primarily attributable to a $10.2 million, or 6.0%, increase in deposits, and the issuance of $5.0 million of subordinated debt securities, issued in connection with the Company's participation in a trust preferred pooled transaction. The subordinated debt securities and corresponding trust preferred securities have a term of thirty years and have an adjustable rate of interest indexed to the three-month LIBOR plus 3.45%. Under applicable regulatory guidelines, the debt instrument from the sale of trust preferred securities qualifies as capital for regulatory purposes. These increases were partially offset by a $2.8 million, or 5.7%, decrease in borrowed funds. The increase in deposits was primarily attributable to an increase in interest bearing deposits. The increase in interest bearing deposits was comprised of a $7.9 million increase in money management accounts, a $4.0 million increase in time deposits, partially offset by a $1.7 million decrease in NOW accounts. The increase in deposit accounts is primarily due to the Company's active efforts in sales training and relationship building during a period when consumers are seeking the safety and relatively stable returns of bank deposits.

Liquidity and Capital Resources

Shareholders' equity increased $1.0 million, or 4.7%, to $23.2 million at September 30, 2002 from $22.2 million at December 31, 2001. The increase in shareholders' equity is primarily the result of a $921,000 increase in retained earnings. The increase in retained earnings is a result of net income of $1.3 million, offset by dividends declared of $346,000 during the first nine months of 2002.

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, see 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, payment of real estate taxes on mortgage loans and loan commitments. At the quarter ended September 30, 2002, the Company has $20.0 million in outstanding commitments to extend credit and management believes the Company has the ability to meet these outstanding credit commitments. The Company adjusts liquidity as appropriate to meet its assets and liability management objectives.

Results of Operations

The Company recorded net income of approximately $349,000 for the three months ended September 30, 2002, as compared to $443,000 for the same period during 2001. The decrease in net income of $94,000, or 21.3%, for the three months ended September 30, 2002, was primarily the result of a $100,000 increase in the provision for loan losses and a $223,000, or 13.2%, increase in other operating expenses, partially offset by an increase in net interest income of $173,000, or 8.8%, and in other income of $38,000, or 11.5% and a $17,000, or 12.4%, decrease in the provision for income taxes.

For the nine months ended September 30, 2002, the Company recorded net income of $1.3 million, as compared to $1.1 million for the same period in the prior year. The increase in the year to date earnings reflects an increase in net interest income of $814,000 and an increase in other income of $473,000, partially offset by an increase in the provision for loan losses of $629,000, an increase in operating expenses of $396,000, and an increase in the provision for income taxes of $61,000. Net income for the six months ending June 30, 2002 has been restated to remove $96,000 of goodwill amortization, net of taxes, in accordance with the adoption of Statement of Financial Accounting Standards No. 147.

Annualized return on average assets and return on average shareholders' equity were 0.54% and 6.02%, respectively, for the three months ended September 30, 2002 compared to 0.75% and 7.99% for the third quarter of 2001. Earnings per share - basic was $.11 for the third quarter of 2002 compared to $.17 for the same period in 2001. For the nine months ended September 30, 2002, the same performance measurements were 0.68% and 7.32%, as compared to 0.60% and 6.58% for the same period in the prior year. Earnings per share-basic for the nine months ended September 30, 2002 was $.49 compared to $.42 for the same period in 2001.

Interest Income

Three month period

Interest income, on a tax equivalent basis, totaled $3.9 million for the quarter ended September 30, 2002, as compared to $4.1 million for the quarter ended September 30, 2001, a decrease of $154,000, or 3.8%. Interest income was affected by a decrease in the tax equivalent yield on average interest-earning assets to 6.55% from 7.52% in the prior period, offset by an increase in the average balance of interest-earning assets to $240.8 million for the three months ended September 30, 2002 from $218.1 million in the prior year period. The decrease in the tax equivalent yield was a result of a lower interest rate environment during the third quarter of 2002 as compared to the same quarter in 2001. The yield decrease was mitigated by increased originations of residential and commercial real estate loans.

Interest income on loans receivable increased $58,000, or 1.9%, to $3.2 million for the three months ended September 30, 2002 as compared to the same period in the prior year. The increase in interest income on loans resulted from an increase in the average balance of loans receivable of $20.4 million, or 13.1% to $176.6 million at September 30, 2002, from $156.2 million at September 30, 2001, partially offset by a decrease in the average yield on loans receivable to 7.23% from 8.03%.

Interest income on mortgage-backed securities decreased by $100,000, or 32.6%, to $209,000 for the three months ended September 30, 2002, from $309,000 for the three months ended September 30, 2001. The decrease in interest income on mortgage-backed securities resulted generally from a reduction in the average balance on mortgage-backed securities of $4.7 million and a decrease in the average yield on mortgage-backed securities to 5.67% from 6.36%.

Interest income on investment securities, on a tax equivalent basis, decreased $139,000, or 22.3%, for the three months ended September 30, 2002 to $484,000 from $623,000 for the same period in 2001. The decrease resulted primarily from a decrease in the average balance of investment securities, of $3.2 million, combined with a decrease in the tax equivalent yield of investment securities to 5.43% from 6.42%. The decrease in the average balance of investment securities resulted from the proceeds from calls and maturities of investments primarily being utilized to fund the Company's loan portfolio growth.

Nine Month Period

Interest income, on a tax equivalent basis, totaled $11.9 million for the nine months ended September 30, 2002, as compared to $12.4 million for the same period in 2001, a decrease of $473,000, or 3.8%. The decrease resulted primarily from a decrease in the tax-equivalent yield on interest-earning assets to 6.82% from 7.63%, partially offset by an increase in the average balance of interest-earning assets of $16.7 million, or 7.7%, to $232.8 million from $216.1 million.

For the nine months ended September 30, 2002, interest income on loans receivable increased $340,000, or 3.6%, as compared to the same period in the prior year. Average loans receivable increased $22.9 million while the yield on average loans receivable decreased to 7.35% from 8.15%.

For the nine months ended September 30, 2002 and 2001, interest income on mortgage-backed securities was $683,000 and $1.0 million, respectively, a decrease of $323,000, or 32.1%. The decrease resulted primarily from a decrease in the average balance of mortgage-backed securities of $5.1 million, or 24.7%, combined with a decrease in the average yield on mortgage-backed securities to 5.81% from 6.45%. The decrease in the average balance of mortgage backed securities reflects the increase in prepayments experienced during the first nine months of 2002 in response to the declining interest rate environment. The proceeds were utilized to fund the Company's loan growth.

For the nine months ended September 30, 2002, tax equivalent interest income on investment securities decreased $509,000, or 26.0%, to $1.5 million compared to $2.0 million for the same period in 2001. The decrease resulted primarily from a decrease in the average balance of investment securities of $5.0 million and a decrease in the tax equivalent yield on investment securities to 5.49% from 6.50%.

Interest Expense

Three Month Period

Interest expense for the quarter ended September 30, 2002 decreased by approximately $329,000, or 15.7%, to $1.8 million from $2.1 million when compared to the same quarter for 2001. The decrease in interest expense for the period was principally the result of the decrease in the average cost of interest bearing deposits to 2.72% from 3.91% and the decrease in the average cost of borrowed funds to 4.60% from 5.10%. These decreases were partially offset by an increase of $9.8 million in the average balance of interest bearing deposits, a $5.1 million increase in the average balance of borrowed funds and a $5.0 million increase of trust preferred debt.

Nine Month Period

For the nine months ended September 30, 2002, interest expense decreased $1.3 million, or 19.7%, when compared to the first nine months of 2001. The decrease in interest expense for the period was principally the result of the decrease in the average cost of interest bearing deposits to 2.90% from 4.08% and the decrease in the average cost of borrowed funds to 4.48% from 5.56%. These decreases were partially offset by an increase of $6.9 million, or 4.42%, in the average balance of interest earning deposits, a $6.4 million increase in the average balance of borrowed funds and a $1.8 million increase in the average balance of trust preferred debt.

Net Interest Income

Net interest income increased $175,000, or 8.7%, to $2.2 million, on a tax equivalent basis, for the quarter ended September 30, 2002, when compared to the same period in the prior year.

For the nine months ended September 30, 2002, net interest income increased $826,000, or 14.3%, when compared to the same period in the prior year.

Net interest margin for the quarter ended September 30, 2002 decreased to 3.62% from 3.67% when compared to the same period in the prior year. For the nine months ended September 30, 2002, net interest margin increased to 3.79% from 3.57%. The increase in the net interest margin is the result of an increase in net interest income, on a tax equivalent basis, partially offset by the increase in the average balance of interest earning assets for the periods presented.

Provision for Loan Losses

The Company maintains an allowance for loan losses based upon a monthly 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 Federal Deposit Insurance Corporation. The Company established a provision for loan losses for the three months ended September 30, 2002 of $138,000, as compared to a provision of $39,000 for the three months ended September 30, 2001. For the nine months ended September 30, 2002, the provision for loan losses was $1.2 million as compared to $579,000 for the same period in 2001. In the prior quarter, the Company took actions to increase reserves to recognize the deterioration in credit quality of two significant lending relationships. During the third quarter of 2002, the Company foreclosed on the assets of one of these borrowers, charging off $598,000 of the loan balance and transferring the net realizable value of the assets to other real estate owned. The Company's allowance for loan losses to non-performing loans ratio improved to 99.82% at September 30, 2002 as compared to 61.15% at June 30, 2002. Similar improvement was noted when comparing the ratio of non-performing loans to total loans of 0.95% at September 30, 2002 to the June 30, 2002 ratio of 2.01%. The Company had non-performing loans of $1.7 million at September 30, 2002.

Other Income

The Company's non-interest income is principally comprised of fees on deposit accounts and transactions, loan servicing, commissions, and net securities gains and losses. Non-interest income, net of gains and losses from the sale of securities, loans, and other real estate, decreased $4,000, or 1.1%, for the quarter ended September 30, 2002, as compared to the same period in the prior year. The decrease in non-interest income is primarily attributable to a $25,000 decrease in other charges, commissions and fees, and an $18,000 decrease in the value of bank owned life insurance. These decreases were partially offset by increases of $19,000 and $20,000 in service charges on deposit accounts and loan servicing fees, respectively. Gains and losses on the sale of securities, loans and other real estate increased $42,000 for the quarter ended September 30, 2002 compared to the same period in the prior year.

For the nine months ended September 30, 2002, non-interest income increased $473,000, or 33.4%, compared to the same period in 2001. Non-interest income, net of gains and losses from the sale of securities, loans and other real estate, increased $148,000, or 15.0%, for the nine months ended September 30, 2002 as compared to September 30, 2001. Gains and losses on the sale of securities, loans and other real estate increased $325,000 for the period ending September 30, 2002 as compared to the same period in 2001.

Other Expense

Non-interest expense increased $223,000, or 13.2%, to $1.9 million for the quarter ended September 30, 2002, when compared to the same period in the prior year. The increase in operating expense was due to a $247,000, or 32.8%, increase in salary expenses, a $50,000, or 16.3%, increase in other expenses and a $19,000, or 11.5%, increase in professional and other services. The increase in salary expense was primarily the result of the creation of two new officer positions, a 15% increase in customer service representatives' hourly rate combined with an increase in their hours worked associated with the extension of the Bank's business hours. In addition, other employee benefits increased $62,000 as a result of increases in insurance premiums and pension expense. These increases were partially offset by decreases in amortization of goodwill, data processing and building occupancy of $79,000, $8,000 and $6,000, respectively. The decrease in the amortization of goodwill is the result of the adoption of FASB Statement No. 147.

For the nine months ending September 30, 2002, operating expenses increased $396,000, or 7.8%, to $5.5 million from $5.1 million for the same period in 2001. The increase in operating expenses was the result of a $494,000, or 22.1%, increase in salary expenses, a $114,000, or 12.5%, increase in other expenses, a $70,000, or 13.2%, increase in professional services and a $19,000, or 3.4%, increase in data processing expenses. These expenses were offset by a reduction of $237,000, or 100.0%, in amortization of goodwill resulting from the adoption of FASB Statement No. 147 and a $64,000, or 10.3%, in building occupancy charges.

Income Taxes

The Company's effective income rate was 25.7% for the quarter ended September 30, 2002 as compared to $23.7% for the same period in 2001.

For the nine months ended September 30, 2002, the Company's effective tax rate was 26.3% compared to 26.9% for the nine months ended September 30, 2001.

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.

The Company does not generally maintain in its portfolio fixed interest rate loans with terms exceeding 20 years. However, beginning the fourth quarter of 2002, 30-year fixed rate mortgages meeting a minimum credit score rating will be held in portfolio. The Company will hold qualifying 30-year fixed rate mortgages up to a maximum level of 5% of the total loan portfolio. 30-year fixed rate loans that do not meet the minimum credit standard or exceed 5% of the loan portfolio will be held for sale into the secondary market. The Company manages interest rate and credit risk associated on 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. The fair value of forward sale commitments was not material at September 30, 2002. To manage interest rate risk within the portfolio, ARM loans are originated with terms that provide that the interest rate on such loans cannot adjust below the initial rate. 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 and have demonstrated historically a low sensitivity to interest rate changes. The Company generally matches a percentage of these, which are deemed core deposits, 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 five years) portfolio with staggered maturities.

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, and the market value of portfolio equity (net portfolio value) 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 net portfolio value 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.

Management anticipates that the Company's net interest margin ratio for the last quarter of 2002 and the first two quarters of 2003, will decrease as the Company invests, into the current interest rate environment, the cash proceeds associated with the trust preferred security issuance and the deposits received from the Cayuga Bank branch acquisition.

GAP ANALYSIS. At September 30, 2002, the total interest-earning assets maturing or repricing within one year exceeded total maturing or repricing interest-bearing liabilities in the same period by $2.0 million, representing a cumulative one-year gap ratio of a positive 0.78%.

CHANGES IN NET INTEREST INCOME AND NET PORTFOLIO VALUE. 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 "Net Interest Income Percent Change" measures the change to the next twelve months' projected net interest income, due to parallel shifts in the yield curve. The column "Net Portfolio Value Percent Change" measures changes in the current net mark-to-market value of assets and liabilities due to parallel shifts in the yield curve. The base case assumes September 30, 2002 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)	NET INTEREST INCOME PERCENTAGE CHANGE	NET PORTFOLIO VALUE PERCENTAGE CHANGE

300.	- 7.61%	- 15.85%
200.	- 4.59%	- 9.37%
100.	- 2.02%	-3.44%
Base Case		
(100).	- 2.24%	-4.90%
(200).	- 3.87%	-9.76%
(300).	- 6.81%	-12.89%

The negative percentage change from the base case in the downward interest rate scenario is the result of deposit product interest rate floors incorporated into the modeling, causing the assets to continue to reprice downward while the cost of funds remains relatively stable.

ITEM 4 - CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation within 90 days prior to the filing date of this report, that the Company's disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-14(c) and 15d-14(c)) 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 have been no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of the foregoing evaluation.

CHANGES IN INTERNAL CONTROLS. There were no significant changes made in our internal controls during the period covered by this report or, to our knowledge, in other factors that could significantly affect these controls subsequent to the date of their evaluation.

PART II - OTHER INFORMATION

LEGAL PROCEEDINGS

From time to time, the Company is involved as a plaintiff or defendant in various legal actions incident to its business. None of these actions individually or in the aggregate is believed to be material to the financial condition of the Company

On November 28, 2001, the Company and its Board of Directors were named as defendants in *Jewelcor Management, Inc. ("Jewelcor") v. Pathfinder Bancorp, Inc., et al.* This action was filed in the United States District Court, Northern District. In its complaint, Jewelcor alleges that the Company's directors breached their fiduciary duties to the Company by failing to consider an offer from Fulton Savings Bank for the sale of the Company. Jewelcor is seeking damages in excess of $1 million, punitive damages in excess of $10 million and equitable relief. Management and the Board of Directors of the Company have carefully reviewed Jewelcor's complaint and believes that it is without merit. The Company has filed a motion to dismiss the complaint. Oral arguments for the motion to dismiss were heard on April 5, 2002 before the United States District Court for the Northern District of New York. No decision on the motion has been rendered at this date.

CHANGES IN SECURITIES

Not applicable

DEFAULTS UPON SENIOR SECURITIES

Not applicable

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable

OTHER INFORMATION

On September 17, 2002 the Board of Directors declared a $.08 cash dividend to shareholders of record as of September 30, 2002, payable on October 15, 2002.

EXHIBITS AND REPORTS ON FORM 8-K

(a) The following exhibits are filed herewith:
Exhibit 99.1 - Officers' Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K
None

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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.

Date: November 13, 2002 /s/ Thomas W. Schneider

Thomas W. Schneider
President, Chief Executive Officer

Date: November 13, 2002 /s/ James A. Dowd

James A. Dowd
Vice President, Chief Financial 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 this quarterly report on Form 10-Q of Pathfinder Bancorp, Inc.;

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

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

November 13, 2002 /s/Thomas W. Schneider

Date 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-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

November 13, 2002 /s/ James A. Dowd

Date Vice President and Chief Financial Officer

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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.

Date: November 13, 2002 /s/ Thomas W. Schneider

Thomas W. Schneider
President, Chief Executive Officer

Date: November 13, 2002 /s/ James A. Dowd

James A. Dowd
Vice President, Chief Financial 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 this quarterly report on Form 10-Q of Pathfinder Bancorp, Inc.;

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

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
a) designed such disclosure controls and procedures to ensure that material

information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

November 13, 2002	/s/Thomas W. Schneider
Date	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-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

November 13, 2002   /s/ James A. Dowd
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Date   Vice President and Chief Financial Officer

EXHIBIT 99.1

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

Thomas W. Schneider, President and Chief Executive Officer and James A. Dowd, Vice President and Chief Financial Officer of Pathfinder Bancorp, Inc. (the "Company") each certify in his capacity as an officer of the Company that he has reviewed the quarterly report of the Company on Form 10-Q for the quarter ended September 30, 2002 and that to the best of his knowledge:

(1) the report fully complies with the requirements of Sections 13(a) of the

Securities Exchange Act of 1934; and

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

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

November 13, 2002	/s/ Thomas W. Schneider
Date	President and Chief Executive Officer
November 13, 2002	/s/ James A. Dowd
Date	Vice President and Chief Financial Officer