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PATHFINDER BANCORP INC
Form 8-K
November 05, 2003

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 3, 2003

Pathfinder Bancorp, Inc.

(Exact name of registrant as specified in its charter)

Federal	000-23601	16-1540137
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(State or other jurisdiction of incorporation)	(Commission File No.)	(I.R.S. Employer Identification No.)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (315) 343-0057

NOT APPLICABLE

(FORMER NAME OR FORMER ADDRESS, IF CHANGED SINCE LAST REPORT)

Item 1-6. Not Applicable.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

(c) The following exhibits are filed with this Report:

Exhibit No.	Description
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EXHIBIT 99.1 Earnings Release issued by Pathfinder Bancorp, Inc. on November 3, 2003, furnished in accordance with Item 12 of this Current Report on Form 8-K.

Item 8. Not Applicable.

Item 9. Regulation FD

The following information is furnished under this Item 9 in satisfaction of Item 12, "Disclosure of Results of Operations and Financial Condition."

On October 17, 2003 the Company announced its earnings for the third quarter of the 2003 fiscal year. A copy of the press release dated November 3, 2003, describing the third quarter earnings is attached as Exhibit 99.1.

Item 10-11. Not Applicable.

Item 12. Disclosure of Results of Operations and Financial Condition

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See Item 9 per SEC Release 33-8216, March 27, 2003.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

PATHFINDER BANCORP, INC.

Date: November 3, 2003 By: /s/ Thomas W. Schneider

Thomas W. Schneider
President and Chief Executive
Officer

EXHIBIT INDEX

The following Exhibit is filed as part of this report:

Exhibit 99.1 Press Release dated November 3, 2003

EXHIBIT 99.1

CONTACT: Thomas W. Schneider - President, CEO
James A. Dowd - Vice President, CFO
Telephone: (315) 343-0057

PATHFINDER BANCORP, INC. ANNOUNCES THIRD QUARTER EARNINGS

Oswego, New York, November 3, 2003 Pathfinder Bancorp, Inc., the mid-tier holding company of Pathfinder Bank, (NASDAQ SmallCap Market; symbol: PBHC, listing: PathBcp) reported net income of \$333,000, or \$0.14 per share, for the quarter ended September 30, 2003 as compared to \$349,000, or \$.11, per share for the same period in 2002. For the nine months ended September 30, 2003, the Company reported net income of \$1.3 million, or \$0.55 per share, compared to \$1.3 million, or \$0.49 per share, for the same period in 2002.

Total assets at September 30, 2003 were \$287.5 million, and \$29.3 million or 11% increase over September 30, 2002. Total loans were \$194.2 million, having increased 12% over the past twelve months. Deposits increased 18% to \$212.1 million at September 30, 2003.

"Despite the slow economic conditions and volatile interest rates over the past year, the Bank has demonstrated good growth trends and stable margins," according to Thomas W. Schneider, President and Chief Executive Officer. "These factors, combined with a 13% increase in non-interest income for the nine months ended September 30, 2003 compared to the same period in the prior year, have provided a strong revenue stream that has allowed us to absorb increasing operating costs resulting from branch expansion, high residential loan volumes and enhanced internal controls. Earnings per share of 55 cents for the first

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nine months represents a 12% increase over last year."

Net interest income for the quarter ended September 30, 2003, increased 5% to \$2.2 million when compared to the same period during 2002. Interest expense decreased \$340,000 partially offset by a decrease in interest income of \$241,000. Net interest spread increased to 3.52% for the quarter ended September 30, 2003 from 3.31% for the same period in 2002. Interest earning assets increased 3% to \$261.6 million as compared to \$253.3 million at December 31, 2002. The increase in earning assets is primarily attributable to a \$577,000 increase in mortgage loans held for sale, and a \$13.7 million increase in loans receivable, partially offset by a \$6.2 million decrease in interest earning deposits.

Provision for loan losses for the quarter ended September 30, 2003 decreased 9% to \$126,000 from \$138,000 for the same period in 2002. The Company had non-performing loans of \$2.4 million at September 30, 2003. The allowance for loan losses to non-performing loans and to total loans was 71% and 0.88%, respectively, at September 30, 2003.

The Company's non-interest income is principally comprised of fees on deposit accounts and transactions, loan servicing, commissions, and net securities and loan sale gains and losses. Non-interest income, exclusive of net gains and losses from the sale of securities, loans and other real estate, increased 21% to \$446,000 for the quarter ended September 30, 2003 compared to \$367,000 for the same period in the prior year. The increase in non-interest income is primarily attributable to a \$58,000 increase in service charges on deposit accounts, a \$13,000 increase in the value of bank owned life insurance and a \$20,000 increase in other charges commissions and fees. These increases in other income were partially offset by a \$13,000 decrease in loan servicing fees.

Net gains and losses from the sale of securities, loans and other real estate increased 153,000 to \$155,000 for the quarter ended September 30, 2003 compared to \$3,000 for the same period in the prior year. The increase resulted from the gain recognized on the sale of foreclosed commercial properties.

Operating expenses increased 19% to \$2.3 million for the quarter ended September 30, 2003, when compared to the same period in the prior year. The increase in operating expenses was primarily due to a \$107,000 increase in salary and employee benefits, a \$64,000 increase in building occupancy expenses, a \$36,000 in data processing expenses, a \$33,000 increase in professional and other services, a \$56,000 increase in the amortization of intangible asset and a \$65,000 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 an increase in pension benefit costs and an increase in the cost of health insurance benefits.

On September 16, 2003, the Board of Directors of Pathfinder Bancorp, Inc. declared a \$0.10 per share cash dividend to shareholders of record as of September 30, 2003, payable on October 13, 2003.

Pathfinder Bancorp, Inc. is the mid-tier holding company of Pathfinder Bank, a New York chartered savings bank headquartered in Oswego, New York. The Bank has six full service offices located in its market area consisting of Oswego County. Financial highlights for Pathfinder Bancorp, Inc. are attached. Presently, the only business conducted by Pathfinder Bancorp, Inc. is the 100% ownership of Pathfinder Bank and Pathfinder Statutory Trust I.

This release may contain certain forward-looking statements, which are based on management's current expectations regarding economic, legislative, and

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regulatory issues that may impact the Company's earnings in future periods. Factors that could cause future results to vary materially from current management expectations include, but are not limited to, general economic conditions, changes in interest rates, deposit flows, loan demand, real estate values, and competition; changes in accounting principles, policies, or guidelines; changes in legislation or regulation; and economic, competitive, governmental, regulatory, and technological factors affecting the Company's operations, pricing, products, and services.

PATHFINDER BANCORP, INC.
FINANCIAL HIGHLIGHTS
(DOLLARS IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	For the three months ended September 30, (Unaudited)	
	2003	2002
CONDENSED INCOME STATEMENT		
Interest income	\$ 3,677	\$ 3,911
Interest expense	1,428	1,766
Net interest income	2,249	2,145
Provision for loan losses	126	133
Net interest income after provision for loan losses	2,123	2,012
Other income	601	377
Other expense	2,274	1,911
Income before taxes	450	466
Provision for income taxes	117	122
Net income	\$ 333	\$ 344
KEY EARNINGS RATIOS		
Return on average assets	0.47%	0.51%
RETURN ON AVERAGE ASSETS - CASH EARNINGS*	0.54%	0.51%
Return on average equity	6.29%	6.01%
RETURN ON AVERAGE EQUITY - CASH EARNINGS*	7.29%	6.31%
Net interest margin (tax equivalent)	3.63%	3.61%
SHARE AND PER SHARE DATA		
Basic weighted average shares outstanding	2,415,681	2,579,600
Basic earnings per share	\$ 0.14	0.13
Diluted earnings per share	0.14	0.13
Cash dividends per share	0.10	0.10
Book value per share	-	-

(Unaudited)
September 30, December 31

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	2003	2002
SELECTED BALANCE SHEET DATA		
Assets	\$ 287,478	\$ 279,050
Earning assets	261,582	253,310
Total loans	194,226	180,480
Deposits	212,094	204,520
Borrowed Funds	45,060	42,860
Trust Preferred Debt	5,000	5,000
Shareholders' equity	21,374	23,230
ASSET QUALITY RATIOS		
Net loan charge-offs (annualized) to average loans	0.19%	0.8%
Allowance for loan losses to period end loans	0.88%	0.8%
Allowance for loan losses to nonperforming loans	71.19%	86.5%
Nonperforming loans to period end loans	1.23%	0.9%
Nonperforming assets to total assets	0.96%	1.1%

* Cash earnings excludes noncash charges for amortization relating to intangibles and the allocation of ESOP stock:

	For the Three Months Ending September 30,		For the Nine Months Ending September 30,	
	2003	2002	2003	2002
Net Income	\$ 333	\$ 349	\$1,342	\$1,266
Add back (net of tax effect):				
Amortization of intangibles	33	-	101	-
Stock-based compensation . .	20	20	56	57
Cash earnings	\$ 386	\$ 369	\$1,499	\$1,323