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PATHFINDER BANCORP INC  
Form 8-K  
July 28, 2004

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): July 28, 2004

Pathfinder Bancorp, Inc.

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(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  
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NOT APPLICABLE

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(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 July 28, 2004, 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 July 28, 2004, the Company announced its earnings for the second quarter of the 2004 fiscal year. A copy of the press release dated July 28, 2004, describing the second quarter earnings is attached as Exhibit 99.1. Item 10-11. Not Applicable. Item 12. Disclosure of Results of Operations and Financial

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Condition

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: July 28, 2004

By: /s/ Thomas W. Schneider

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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 July 28, 2004

EXHIBIT 99.1

FOR IMMEDIATE RELEASE

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

PATHFINDER BANCORP, INC. ANNOUNCES SECOND QUARTER EARNINGS

Oswego, New York, July 28, 2004 Pathfinder Bancorp, Inc., the mid-tier holding company of Pathfinder Bank, (NASDAQ SmallCap Market; symbol: PBHC, listing: PathBcp) reported net income of \$434,000, or \$0.18 per share, for the three months ended June 30, 2004 as compared to \$517,000, or \$0.21 per share for the same period in 2003. For the six months ended June 30, 2004, the Company reported net income of \$757,000, or \$0.31 per share, compared to \$1.0 million, or \$0.42 per share, for the same period in 2003.

"The Company has achieved strong deposit growth of \$27 million, or 13%, during the first half of 2004, primarily in checking and municipal accounts," according to Thomas W. Schneider, President and Chief Executive Officer. "Loan growth has been more muted as the local economy continues to lag national growth. The margin compression the Company experienced in the first quarter has stabilized as asset repricing has equalized," continued Schneider. "The reduction in earnings compared to the prior year quarter resulted from higher securities gains in 2003."

Net interest income for the quarter ended June 30, 2004 decreased slightly when

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compared to the same period during 2003. Interest income decreased \$195,000, or 5%, partially offset by a decrease in interest expense of \$136,000, or 9%. Net interest rate spread decreased to 3.22% for the second quarter of 2004 from 3.60% for the same period in 2003. Average interest-earning assets increased 9% to \$276.7 million in the quarter ended June 30, 2004 as compared to \$253.0 million in the quarter ended June 30, 2003, while the yield on those assets decreased 80 basis points to 5.36% compared to 6.16% for the same period in 2003. The increase in average earning assets is primarily attributable to a \$16.4 million increase in investment securities and a \$6.5 million increase in interest-earning deposits. Average interest-bearing liabilities increased \$20.9 million, while the cost of funds decreased 41 basis points to 2.15% from 2.56% for the same period in 2003. The increase in the average balance of interest-bearing liabilities resulted primarily from a \$24.2 million, or 13%, growth in average deposits. The growth in deposits primarily resulted from attracting new municipal deposit customers.

Provision for loan losses for the quarter ended June 30, 2004 decreased 59% to \$107,000 from \$260,000 for the same period in 2003. The Company's ratio of allowance for loan losses to period end loans has increased to 0.99% at June 30, 2004 from 0.91% at December 31, 2003. Nonperforming loans to period end loans remained fairly steady at 1.62% at June 30, 2004, compared to 1.59% at December 31, 2003.

Non-interest income, net of gains and losses from the sale of securities, loans and foreclosed real estate, decreased slightly to \$481,000 for the quarter ended June 30, 2004 compared to \$483,000 for the same period in the prior year. The decrease in non-interest income is primarily attributable to an \$11,000 increase in service charges on deposit accounts, and a \$5,000 increase in bank owned life insurance, offset by an \$18,000 decrease in other charges, commissions and fees. Net gains and losses from the sale of securities, loans and foreclosed real estate decreased \$240,000 to \$251,000 for the quarter ended June 30, 2004 compared to \$491,000 for the same period in the prior year.

Operating expenses remained consistent at \$2.3 million for the quarter ended June 30, 2004 and June 30, 2003. During the second quarter of 2004, salary and employee benefits, building occupancy expenses and data processing expenses increased \$97,000, \$8,000 and \$11,000, respectively. These increases were offset by a \$12,000 decrease in professional and other services and a \$116,000 decrease in other operating expenses. The increase in salaries and employee benefits was primarily due to the salaries and benefits associated with an increase in personnel and an increase in employee benefit costs. The decrease in professional and other services and other operating expenses primarily resulted from operating costs associated with a foreclosed real estate property not recurring in 2004 as the property was sold during 2003, and expenses relating to personnel realignment in 2003, not recurring in 2004.

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 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

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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 June 30, (Unaudited)		For the ended (Unaudited)
	2004	2003	2004
<b>CONDENSED INCOME STATEMENT</b>			
Interest income . . . . .	\$ 3,682	\$ 3,877	\$ 7,243
Interest expense . . . . .	1,396	1,532	2,753
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Net interest income . . . . .	2,286	2,345	4,490
Provision for loan losses . . . . .	107	260	295
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Net interest income after provision for loan losses . . . . .	2,179	2,085	4,195
Other income . . . . .	732	974	1,410
Other expense . . . . .	2,327	2,340	4,577
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Income before taxes . . . . .	584	719	1,028
Provision for income taxes . . . . .	150	203	271
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Net income . . . . .	\$ 434	\$ 516	\$ 757
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<b>KEY EARNINGS RATIOS</b>			
Return on average assets . . . . .	0.57%	0.75%	0.51%
RETURN ON AVERAGE ASSETS - CASH EARNINGS* . . . . .	0.64%	0.83%	0.58%
Return on average equity . . . . .	8.19%	9.70%	6.98%
RETURN ON AVERAGE EQUITY - CASH EARNINGS* . . . . .	9.20%	10.69%	7.99%
Net interest margin (tax equivalent) . . . . .	3.34%	3.75%	3.39%
<b>SHARE AND PER SHARE DATA</b>			
Basic weighted average shares outstanding . . . . .	2,436,878	2,416,888	2,430,468
Basic earnings per share . . . . .	\$ 0.18	\$ 0.21	\$ 0.31
Diluted earnings per share . . . . .	0.18	0.21	0.31
CASH EARNINGS PER SHARE - BASIC* . . . . .	0.20	0.24	0.36
Cash dividends per share . . . . .	0.10	0.10	0.20
Book value per share . . . . .	-	-	8.60
	(Unaudited)	(Unaudited)	(Unaudited)
	June 30,	December 31,	June 30,
	2004	2003	2003
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<b>SELECTED BALANCE SHEET DATA</b>			
Assets . . . . .	\$ 299,875	\$ 277,940	\$ 283,128
Earning assets . . . . .	271,247	254,755	258,761
Total loans . . . . .	186,210	188,717	184,641

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Deposits . . . . .	233,853	206,894	204,523
Borrowed Funds . . . . .	36,360	40,960	48,160
Trust Preferred Debt . . . . .	5,155	5,000	5,000
Shareholders' equity . . . . .	21,049	21,785	21,488

ASSET QUALITY RATIOS

Net loan charge-offs (annualized) to average loans . . . . .	0.18%	0.19%	0.33%
Allowance for loan losses to period end loans. . . . .	0.99%	0.91%	0.86%
Allowance for loan losses to nonperforming loans . . . . .	60.88%	57.32%	124.37%
Nonperforming loans to period end loans. . . . .	1.62%	1.59%	0.69%
Nonperforming assets to total assets . . . . .	1.11%	1.15%	1.01%

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

	For the three months ended June 30,		For the six months ended June 30,	
	2004	2003	2004	2003
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Net Income. . . . .	\$434	\$516	\$757	\$1,010
Add back (net of tax effect):				
Amortization of intangibles	34	34	67	67
Stock-based compensation. .	20	18	43	36
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Cash earnings. . . . .	\$488	\$568	\$867	\$1,113
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