UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2025

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______ to _______

PathFinder BANCORP, INC.

(Exact Name of Company as Specified in its Charter)

Maryland	001-36695	38-3941859
(State of Other Jurisdiction of Incorporation)	*(Commission File No.)*	*(I.R.S. Employer Identification No.)*

214 West First Street
Oswego, NY 13126
(315) 343-0057

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	**PBHC**	**The NASDAQ Stock Market LLC**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) 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 ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this Chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☒ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

As of November 11, 2025, there were 4,794,225 shares outstanding of the registrant's Voting common stock and 1,380,283 shares outstanding of the registrant's Series A Non-Voting common stock.

PATHFINDER BANCORP, INC.
INDEX

PART I - FINANCIAL INFORMATION
Item 1 – Consolidated Financial Statements

Pathfinder Bancorp, Inc.
Consolidated Statements of Condition
(Unaudited)

(In thousands, except share and per share data)		September 30, 2025		December 31, 2024
ASSETS:				
Cash and due from banks	$	19,317	$	13,963
Interest-earning deposits		21,255		17,609
Total cash and cash equivalents		40,572		31,572
Available-for-sale securities, at fair value		294,457		269,331
Held-to-maturity securities, at amortized cost (fair value of $137,001 and $151,023, respectively)		142,538		158,683
Marketable equity securities, at fair value		5,352		4,076
Federal Home Loan Bank stock, at cost		3,488		4,590
Loans, net of deferred fees		898,520		918,986
Less: Allowance for credit losses		18,654		17,243
Loans receivable, net		879,866		901,743
Premises and equipment, net		18,760		19,009
Operating lease right-of-use assets		1,124		1,391
Finance lease right-of-use assets		16,082		16,676
Accrued interest receivable		6,498		6,881
Foreclosed real estate		137		-
Intangible assets, net		5,518		5,989
Goodwill		5,056		5,056
Bank owned life insurance		31,145		24,727
Other assets		21,675		25,150
Total assets	$	1,472,268	$	1,474,874
LIABILITIES AND SHAREHOLDERS' EQUITY:				
Deposits:				
Interest-bearing	$	1,028,782	$	990,805
Noninterest-bearing		196,299		213,719
Total deposits		1,225,081		1,204,524
Short-term borrowings		38,000		61,000
Long-term borrowings		18,702		27,068
Subordinated debt		30,258		30,107
Accrued interest payable		1,134		546
Operating lease liabilities		1,326		1,591
Finance lease liabilities		16,479		16,745
Other liabilities		14,949		11,810
Total liabilities		1,345,929		1,353,391
Shareholders' equity:				
Voting common stock, par value $0.01; 25,000,000 authorized shares; 4,794,225 and 4,745,366 shares issued and outstanding, respectively		48		47
Non-Voting common stock, par value $0.01; 1,505,283 authorized shares; 1,380,283 shares issued and outstanding, respectively		14		14
Additional paid in capital		53,974		52,750
Retained earnings		79,560		77,816
Accumulated other comprehensive loss		(7,257)		(9,144)
Total Pathfinder Bancorp, Inc. shareholders' equity		126,339		121,483
Total liabilities and shareholders' equity	$	1,472,268	$	1,474,874

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

Pathfinder Bancorp, Inc.
Consolidated Statements of Income
(Unaudited)

(In thousands, except per share data)	For the three months ended September 30, 2025	For the three months ended September 30, 2024	For the nine months ended September 30, 2025	For the nine months ended September 30, 2024
Interest and dividend income:				
Loans, including fees	$ 13,799	$ 14,425	$ 40,577	$ 39,182
Debt securities:				
Taxable	5,307	5,664	16,014	17,007
Tax-exempt	455	469	1,322	1,475
Dividends	44	149	158	456
Federal funds sold and interest earning deposits	131	492	288	711
Total interest and dividend income	19,736	21,199	58,359	58,831
Interest expense:				
Interest on deposits	6,957	7,633	21,220	22,670
Interest on short-term borrowings	566	1,136	1,606	3,476
Interest on long-term borrowings	127	202	264	597
Interest on subordinated debt	486	496	1,444	1,476
Total interest expense	8,136	9,467	24,534	28,219
Net interest income	11,600	11,732	33,825	30,612
Provision for (benefit from) credit losses:				
Loans	3,341	9,104	5,018	10,118
Held-to-maturity securities	-	(31)	5	(90)
Unfunded commitments	153	(104)	125	(43)
Total provision for credit losses	3,494	8,969	5,148	9,985
Net interest income after provision for credit losses	8,106	2,763	28,677	20,627
Noninterest income:				
Service charges on deposit accounts	404	392	1,158	1,031
Earnings and gain on bank owned life insurance	286	361	604	685
Loan servicing fees	113	79	311	279
Net realized losses on sales and redemptions of investment securities	(12)	(188)	(20)	(320)
Net unrealized gains on marketable equity securities	145	62	783	31
Gains on sales of loans and foreclosed real estate	121	90	269	148
Fair value adjustment to loans held-for-sale [1]	-	-	(3,064)	-
Loss on sale of premises and equipment	-	(13)	-	(13)
Debit card interchange fees	217	300	398	610
Insurance agency revenue [2]	-	367	-	1,024
Other charges, commissions & fees	229	257	743	1,180
Total noninterest income	1,503	1,707	1,182	4,655
Noninterest expense:				
Salaries and employee benefits	5,005	4,959	13,980	13,687
Building and occupancy	1,399	1,134	3,976	2,864
Data processing	641	672	1,974	1,750
Professional and other services	709	1,820	2,093	3,078
Advertising	86	165	304	386
FDIC assessments	171	228	400	685
Audits and exams	132	123	306	416
Amortization expense	156	129	470	137
Insurance agency expense [2]	-	308	-	825
Community service activities	10	20	49	111
Foreclosed real estate expenses	26	27	76	82
Other expenses	602	674	1,803	1,852
Total noninterest expense	8,937	10,259	25,431	25,873
Income (loss) before provision for income taxes	672	(5,789)	4,428	(591)
Provision for (benefit from) income taxes	46	(1,173)	797	(160)
Net income (loss) attributable to noncontrolling interest and Pathfinder Bancorp, Inc.	626	(4,616)	3,631	(431)
Net income attributable to noncontrolling interest	-	28	-	93
Net income (loss) attributable to Pathfinder Bancorp Inc.	$ 626	$ (4,644)	$ 3,631	$ (524)
Voting Earnings per common share - basic	$ 0.10	$ (0.75)	$ 0.58	$ (0.09)
Voting Earnings per common share - diluted	$ 0.10	$ (0.75)	$ 0.57	$ (0.09)
Series A Non-Voting Earnings per common share- basic	$ 0.10	$ (0.75)	$ 0.58	$ (0.09)
Series A Non-Voting Earnings per common share- diluted	$ 0.10	$ (0.75)	$ 0.57	$ (0.09)
Dividends per common share (Voting and Series A Non-Voting)	$ 0.10	$ 0.10	$ 0.30	$ 0.30

[1] Lower-of-cost-or-market (LOCOM) adjustment on loans held-for-sale to the estimated market value based on sale negotiation terms.

[2] See Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

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

Pathfinder Bancorp, Inc.
Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

(In thousands)	For the three months ended September 30, 2025	September 30, 2024	For the nine months ended September 30, 2025	September 30, 2024
Net income (loss)	$ 626	$ (4,616)	$ 3,631	$ (431)
Other Comprehensive Income				
Retirement Plans:				
Retirement plan net gains recognized in plan expenses	35	37	102	110
Net unrealized gain on retirement plans	35	37	102	110
Unrealized holding gains on available-for-sale securities:				
Unrealized holding gains arising during the period	2,216	2,847	2,692	3,087
Reclassification adjustment for net gains included in net income	-	-	5	139
Net unrealized gains on available-for-sale securities	2,216	2,847	2,697	3,226
Derivatives and hedging activities:				
Unrealized holding (losses) gains arising during the period	(82)	(82)	(245)	575
Net unrealized (losses) gains on derivatives and hedging activities	(82)	(82)	(245)	575
Other comprehensive income, before tax	2,169	2,802	2,554	3,911
Tax effect	(568)	(732)	(667)	(1,022)
Other comprehensive income, net of tax	1,601	2,070	1,887	2,889
Comprehensive income (loss)	$ 2,227	$ (2,546)	$ 5,518	$ 2,458
Comprehensive income, attributable to noncontrolling interest	$ -	$ 28	$ -	$ 93
Comprehensive income (loss) attributable to Pathfinder Bancorp, Inc.	$ 2,227	$ (2,574)	$ 5,518	$ 2,365
Tax Effect Allocated to Each Component of Other Comprehensive (Income) Loss				
Retirement plan net gains recognized in plan expenses	$ (10)	$ (10)	$ (27)	$ (28)
Unrealized holding gains on available-for-sale securities arising during the period	(579)	(744)	(703)	(807)
Reclassification adjustment for net losses on available-for-sale securities included in net income	-	-	(1)	(37)
Unrealized losses (gains) on derivatives and hedging arising during the period	21	22	64	(150)
Income tax effect related to other comprehensive income	$ (568)	$ (732)	$ (667)	$ (1,022)

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

Pathfinder Bancorp, Inc.
Consolidated Statements of Changes in Shareholders' Equity
Three months ended September 30, 2025 and September 30, 2024
(Unaudited)

(In thousands, except share and per share data)	Common Stock	Non-Voting Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Unearned ESOP shares	Non-controlling Interest	Total
Balance, June 30, 2025	$ 48	$ 14	$ 53,645	$ 79,564	$ (8,858)	$ -	$ -	$ 124,413
Net income	-	-	-	626	-	-	-	626
Other comprehensive income, net of tax	-	-	-	-	1,601	-	-	1,601
Stock options exercised	-	-	329	-	-	-	-	329
Voting common stock dividends declared ($0.10 per share)	-	-	-	(479)	-	-	-	(479)
Non-Voting common stock dividends declared ($0.10 per share)	-	-	-	(138)	-	-	-	(138)
Warrant dividends declared ($0.10 per share)	-	-	-	(13)	-	-	-	(13)
Balance, September 30, 2025	$ 48	$ 14	$ 53,974	$ 79,560	$ (7,257)	$ -	$ -	$ 126,339
Balance, June 30, 2024	$ 47	$ 14	$ 53,182	$ 78,936	$ (8,786)	$ (45)	$ 826	$ 124,174
Net (loss) income	-	-	-	(4,644)	-	-	28	(4,616)
Other comprehensive income, net of tax	-	-	-	-	2,070	-	-	2,070
ESOP shares earned (6,111 shares)	-	-	49	-	-	45	-	94
Voting common stock dividends declared ($0.10 per share)	-	-	-	(472)	-	-	-	(472)
Non-Voting common stock dividends declared ($0.10 per share)	-	-	-	(138)	-	-	-	(138)
Warrant dividends declared ($0.10 per share)	-	-	-	(12)	-	-	-	(12)
Balance, September 30, 2024	$ 47	$ 14	$ 53,231	$ 73,670	$ (6,716)	$ -	$ 854	$ 121,100

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

Pathfinder Bancorp, Inc.
Consolidated Statements of Changes in Shareholders' Equity
Nine months ended September 30, 2025 and September 30, 2024
(Unaudited)

(In thousands, except share and per share data)	Common Stock	Non-Voting Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Unearned ESOP shares	Non-controlling Interest	Total
Balance, January 1, 2025	$ 47	$ 14	$ 52,750	$ 77,816	$ (9,144)	$ -	$ -	$ 121,483
Net income	-	-	-	3,631	-	-	-	3,631
Other comprehensive income, net of tax	-	-	-	-	1,887	-	-	1,887
Stock options exercised	1	-	1,224	-	-	-	-	1,225
Voting common stock dividends declared ($0.30 per share)	-	-	-	(1,435)	-	-	-	(1,435)
Non-Voting common stock dividends declared ($0.30 per share)	-	-	-	(414)	-	-	-	(414)
Warrant dividends declared ($0.30 per share)	-	-	-	(38)	-	-	-	(38)
Balance, September 30, 2025	$ 48	$ 14	$ 53,974	$ 79,560	$ (7,257)	$ -	$ -	$ 126,339
Balance, January 1, 2024	$ 47	$ 14	$ 53,114	$ 76,060	$ (9,605)	$ (135)	$ 761	$ 120,256
Net (loss) income	-	-	-	(524)	-	-	93	(431)
Other comprehensive income, net of tax	-	-	-	-	2,889	-	-	2,889
ESOP shares earned (18,332 shares)	-	-	112	-	-	135	-	247
Stock options exercised	-	-	5	-	-	-	-	5
Voting common stock dividends declared ($0.30 per share)	-	-	-	(1,414)	-	-	-	(1,414)
Non-Voting common stock dividends declared ($0.30 per share)	-	-	-	(414)	-	-	-	(414)
Warrant dividends declared ($0.30 per share)	-	-	-	(38)	-	-	-	(38)
Balance, September 30, 2024	$ 47	$ 14	$ 53,231	$ 73,670	$ (6,716)	$ -	$ 854	$ 121,100

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

Pathfinder Bancorp, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

(In thousands)	For the nine months ended September 30, 2025	2024
OPERATING ACTIVITIES		
Net income (loss) attributable to Pathfinder Bancorp, Inc.	$ 3,631	$ (524)
Adjustments to reconcile net income to net cash flows from operating activities:		
Provision for credit losses	5,148	9,985
Proceeds from sales of loans held-for-sale	9,243	4,519
Originations of loans held-for-sale	(8,974)	(4,410)
Realized (gains) losses on sales, redemptions and calls of:		
Foreclosed real estate	-	(39)
Loans	(269)	(109)
Available-for-sale investment securities	5	139
Held-to-maturity investment securities	15	181
Marketable securities	(783)	(31)
Depreciation	1,236	1,049
Amortization of mortgage servicing rights	-	(31)
Amortization of deferred loan fees and costs	32	71
Amortization of operating and finance leases, net	330	(341)
Amortization of deferred financing fees from subordinated debt	151	143
Earnings on bank owned life insurance	(604)	83
Net amortization of premiums and discounts on investment securities	(65)	(133)
Net amortization of premiums on intangible assets	430	115
Stock based compensation and ESOP expense	695	247
Net change in accrued interest receivable	383	480
Net change in other assets and liabilities	(1,596)	2,470
Net cash inflows from operating activities	9,008	13,864
INVESTING ACTIVITIES		
Purchase of available-for-sale securities	(57,842)	(71,015)
Purchase of held-to-maturity securities	(16,858)	(10,573)
Purchase of marketable securities	(493)	(635)
Purchase of Federal Home Loan Bank stock	(9,758)	(9,477)
Proceeds from redemption of Federal Home Loan Bank stock	10,860	12,824
Proceeds from maturities and principal reductions of available-for-sale securities	33,326	58,749
Proceeds from maturities and principal reductions of held-to-maturity securities	25,433	24,678
Proceeds from sales, redemptions and calls of:		
Available-for-sale securities	4,389	3,449
Held-to-maturity securities	7,385	3,823
Loans held-for-sale	3,161	-
Real estate acquired through foreclosure	-	167
Net change in loans	13,536	(33,300)
Acquisition of core deposit intangible asset	-	(6,271)
Proceeds from sale of assets held-for-sale	-	3,007
Purchase of premises and equipment	(987)	(1,621)
Net cash inflows (outflows) from investing activities	12,152	(26,195)
FINANCING ACTIVITIES		
Net change in demand deposits, NOW accounts, savings accounts, money management deposit accounts, MMDA accounts and escrow deposits	44,510	94,078
Net change in time deposits	(9,620)	95,175
Net change in brokered deposits	(14,333)	(113,107)
Net change in short-term borrowings	(23,000)	(65,365)
Payments on long-term borrowings	(19,255)	(20,850)
Proceeds from long-term borrowings	10,889	10,700
Proceeds from exercise of stock options	530	5
Cash dividends paid to common voting shareholders	(1,429)	(1,367)
Cash dividends paid to common non-voting shareholders	(414)	(414)
Cash dividends paid on warrants	(38)	(25)
Change in noncontrolling interest, net	-	93
Net cash outflows from financing activities	(12,160)	(1,077)
Change in cash and cash equivalents	9,000	(13,408)
Cash and cash equivalents at beginning of period	31,572	48,732
Cash and cash equivalents at end of period	$ 40,572	$ 35,324
CASH PAID DURING THE PERIOD FOR:		
Interest	$ 23,946	$ 30,228
Income taxes	500	600

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

Notes to Consolidated Financial Statements (Unaudited)

Note 1: Basis of Presentation

The accompanying unaudited consolidated financial statements of Pathfinder Bancorp, Inc., (the "Company"), Pathfinder Bank (the "Bank") and its other wholly owned subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information, the instructions for Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes necessary for a complete presentation of consolidated financial condition, results of operations and cash flows in conformity with generally accepted accounting principles. In the opinion of management, all adjustments, consisting of normal recurring accruals considered necessary for a fair presentation, have been included. Certain amounts in the 2024 consolidated financial statements may have been reclassified to conform to the current period presentation. These reclassifications had no effect on net income or comprehensive income as previously reported. Operating results for the three and nine months ended September 30, 2025 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2025 or any other interim period.

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 consolidated financial statements and accompanying notes. These estimates, assumptions, and judgments are based on information available as of the date of the consolidated financial statements; accordingly, as this information changes, the consolidated financial statements could reflect different estimates, assumptions, and judgments. Certain accounting 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 unaffiliated third-party sources, when available. When third party information is not available, valuation adjustments are estimated in good faith by management.

Note 2: New Accounting Pronouncements

The Financial Accounting Standards Board (“FASB”) and, to a lesser extent, other authoritative rulemaking bodies promulgate generally accepted accounting principles (“GAAP”) to regulate the standards of accounting in the United States. From time to time, the FASB issues new GAAP standards, known as Accounting Standards Updates (“ASUs”) some of which, upon adoption, may have the potential to change the way in which the Company recognizes or reports within its consolidated financial statements. The following table provides a description of the accounting standards that are not currently effective, but could have an impact on the Company's consolidated financial statements upon adoption.

Standards Not Yet Adopted as of September 30, 2025

Standard	**Description**	**Required Date of Implementation**	**Effect on Consolidated Financial Statements**
Income Statement ASU 2024-03 *(Subtopic 220-40): Disaggregation of Income Statement Expenses*	ASU 2024-03 was issued to address requests from investors for more detailed information about the types of expenses in commonly presented income statement captions. The ASU requires new financial statement disclosures, disaggregating certain expense categories, such as compensation, depreciation, and amortization of intangible assets. This disaggregation is to be presented in a tabular format and aims to provide enhanced transparency into the relevant components of income statement expenses.	Fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027.	Management is evaluating the adoption of the ASU but does not expect it will have a material impact to the Company's consolidated financial statements.

Note 3: Earnings per Common Share

Following shareholder approval received on June 4, 2021, the Company converted 1,380,283 shares of its Series B Convertible Perpetual Preferred Stock ("Convertible Perpetual Preferred Stock") to an equal number of shares of its newly-created Series A Non-Voting Common Stock. The conversion, which was effective on June 28, 2021, represented 100% of the Company's Convertible Perpetual Preferred Stock outstanding at the time of the conversion and retired the Convertible Perpetual Preferred Stock in perpetuity.

The Company has voting common stock, non-voting common stock and a warrant that are all eligible to participate in dividends equal to the voting common stock dividends on a per share basis. Securities that participate in dividends, such as the Company's non-voting common stock and warrant, are considered "participating securities". The Company calculates net income available to voting common shareholders using the two-class method required for capital structures that include participating securities.

In applying the two-class method, basic net income per share was calculated by dividing net income (less any dividends on participating securities) by the weighted average number of shares of voting common stock and participating securities outstanding for the period. Diluted earnings per share may include the additional effect of other securities, if dilutive, in which case the dilutive effect of such securities is calculated by applying either the two-class method or the Treasury Stock method to the assumed exercise or vesting of potentially dilutive common shares. The method yielding the more dilutive result is ultimately reported for the applicable period. Potentially dilutive common stock equivalents primarily consist of employee stock options and restricted stock units. Unallocated common shares held by the ESOP are not included in the weighted average number of common shares outstanding for purposes of calculating earnings per common share until they are committed to be released to plan participants.

Anti-dilutive shares are common stock equivalents with average exercise prices in excess of the weighted average market price for the period presented. There were no anti-dilutive stock options excised for the three and nine months ended September 30, 2025, and September 30, 2024, respectively.

The following table sets forth the calculation of basic and diluted earnings per share:

	Three months ended September 30,				Nine months ended September 30,			
(In thousands, except share and per share data)		2025		2024		2025		2024
Net income (loss) attributable to Pathfinder Bancorp, Inc.	$	626	$	(4,644)	$	3,631	$	(524)
Series A Non-Voting Common Stock dividends		138		138		414		414
Warrant dividends		13		12		38		38
Undistributed (losses) earnings allocated to participating securities		(1)		(1,275)		418		(579)
Net income (loss) available to common shareholders - Voting	$	476	$	(3,519)	$	2,761	$	(397)
Net income (loss) attributable to Pathfinder Bancorp, Inc.	$	626	$	(4,644)	$	3,631	$	(524)
Voting Common Stock dividends		479		472		1,435		1,414
Warrant dividends		13		12		38		38
Undistributed (losses) earnings allocated to participating securities		(3)		(4,097)		1,360		(1,859)
Net income (loss) available to common shareholders - Non-Voting	$	137	$	(1,031)	$	798	$	(117)
Basic weighted average common shares outstanding - Voting		4,790		4,714		4,769		4,708
Basic weighted average common shares outstanding - Series A Non-Voting		1,380		1,380		1,380		1,380
Diluted weighted average common shares outstanding - Voting		4,842		4,714		4,821		4,708
Diluted weighted average common shares outstanding - Series A Non-Voting		1,380		1,380		1,380		1,380
Basic earnings per common share - Voting	$	0.10	$	(0.75)	$	0.58	$	(0.09)
Basic earnings per common share - Series A Non-Voting	$	0.10	$	(0.75)	$	0.58	$	(0.09)
Diluted earnings per common share - Voting [1]	$	0.10	$	(0.75)	$	0.57	$	(0.09)
Diluted earnings per common share - Series A Non-Voting [1]	$	0.10	$	(0.75)	$	0.57	$	(0.09)

[1] Diluted earnings per share for the first quarter of 2025 has been revised to $0.47, from the $0.41 reported previously.

Note 4: Investment Securities

The amortized cost and estimated fair value of investment securities are summarized as follows:

	September 30, 2025			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-Sale Portfolio				
Debt investment securities:				
US Treasury, agencies and GSEs	$ 68,852	$ 382	$ (3,008)	$ 66,226
State and political subdivisions	35,577	19	(2,649)	32,947
Corporate	9,544	165	(162)	9,547
Asset backed securities	22,794	49	(116)	22,727
Residential mortgage-backed - US agency	52,516	423	(1,136)	51,803
Collateralized mortgage obligations - US agency	19,783	290	(722)	19,351
Collateralized mortgage obligations - Private label	92,707	469	(1,526)	91,650
Total	301,773	1,797	(9,319)	294,251
Equity investment securities:				
Common stock - financial services industry	206	-	-	206
Total	206	-	-	206
Total available-for-sale	$ 301,979	$ 1,797	$ (9,319)	$ 294,457
Held-to-Maturity Portfolio				
Debt investment securities:				
US Treasury, agencies and GSEs	$ 3,570	$ -	$ (189)	$ 3,381
State and political subdivisions	14,614	23	(1,332)	13,305
Corporate	34,285	13	(1,667)	32,631
Asset backed securities	15,580	16	(537)	15,059
Residential mortgage-backed - US agency	8,147	36	(477)	7,706
Collateralized mortgage obligations - US agency	10,268	3	(971)	9,300
Collateralized mortgage obligations - Private label	56,336	216	(933)	55,619
Total	142,800	307	(6,106)	137,001
Less: Allowance for credit losses	262			
Total held-to-maturity, net of allowance for credit losses	$ 142,538			

(In thousands)	December 31, 2024 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-Sale Portfolio				
Debt investment securities:				
US Treasury, agencies and GSEs	$ 73,888	$ 371	$ (3,834)	$ 70,425
State and political subdivisions	35,128	122	(1,928)	33,322
Corporate	10,956	209	(284)	10,881
Asset backed securities	18,934	26	(473)	18,487
Residential mortgage-backed - US agency	40,636	35	(1,500)	39,171
Collateralized mortgage obligations - US agency	14,376	45	(891)	13,530
Collateralized mortgage obligations - Private label	85,426	158	(2,275)	83,309
Total	279,344	966	(11,185)	269,125
Equity investment securities:				
Common stock - financial services industry	206	-	-	206
Total	206	-	-	206
Total available-for-sale	$ 279,550	$ 966	$ (11,185)	$ 269,331
Held-to-Maturity Portfolio				
Debt investment securities:				
US Treasury, agencies and GSEs	$ 3,648	$ -	$ (282)	$ 3,366
State and political subdivisions	17,153	10	(1,833)	15,330
Corporate	43,628	23	(1,740)	41,911
Asset backed securities	13,050	8	(557)	12,501
Residential mortgage-backed - US agency	9,575	32	(728)	8,879
Collateralized mortgage obligations - US agency	11,940	3	(1,223)	10,720
Collateralized mortgage obligations - Private label	59,946	40	(1,670)	58,316
Total	158,940	116	(8,033)	151,023
Less: Allowance for credit losses	257			
Total held-to-maturity, net of allowance for credit losses	$ 158,683			

The amortized cost and estimated fair value of debt investments at September 30, 2025 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties. Amounts disclosed are gross values and do not include any allowance for credit losses.

	Available-for-Sale		**Held-to-Maturity**	
(In thousands)	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 6,011	$ 6,154	$ 1,145	$ 1,145
Due after one year through five years	36,676	34,126	35,665	34,680
Due after five years through ten years	14,984	14,285	14,328	12,412
Due after ten years	79,096	76,882	16,911	16,139
Sub-total	136,767	131,447	68,049	64,376
Residential mortgage-backed - US agency	52,516	51,803	8,147	7,706
Collateralized mortgage obligations - US agency	19,783	19,351	10,268	9,300
Collateralized mortgage obligations - Private label	92,707	91,650	56,336	55,619
Totals	$ 301,773	$ 294,251	$ 142,800	$ 137,001

The Company’s investment securities’ gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are as follows:

	September 30, 2025								
	Less than Twelve Months			Twelve Months or More			Total		
(In thousands)	Number of Individual Securities	Unrealized Losses	Fair Value	Number of Individual Securities	Unrealized Losses	Fair Value	Number of Individual Securities	Unrealized Losses	Fair Value
Available-for-Sale Portfolio									
US Treasury, agencies and GSEs	1	$ (427)	$ 17,421	8	$ (2,581)	$ 26,806	9	$ (3,008)	$ 44,227
State and political subdivisions	-	-	-	23	(2,649)	30,777	23	(2,649)	30,777
Corporate	-	-	-	4	(162)	3,315	4	(162)	3,315
Asset backed securities	2	(11)	4,007	7	(105)	6,828	9	(116)	10,835
Residential mortgage-backed - US agency	4	(162)	7,720	11	(974)	17,011	15	(1,136)	24,731
Collateralized mortgage obligations - US agency	1	(2)	1,715	11	(720)	6,348	12	(722)	8,063
Collateralized mortgage obligations - Private label	11	(78)	19,719	18	(1,448)	19,771	29	(1,526)	39,490
Totals	19	$ (680)	$ 50,582	82	$ (8,639)	$ 110,856	101	$ (9,319)	$ 161,438
Held-to-Maturity Portfolio									
US Treasury, agencies and GSEs	-	$ -	$ -	2	$ (189)	$ 3,382	2	$ (189)	$ 3,382
State and political subdivisions	2	(1)	298	12	(1,331)	11,229	14	(1,332)	11,527
Corporate	1	(1)	1,000	24	(1,666)	20,908	25	(1,667)	21,908
Asset backed securities	-	-	-	6	(537)	7,074	6	(537)	7,074
Residential mortgage-backed - US agency	-	-	-	6	(477)	6,502	6	(477)	6,502
Collateralized mortgage obligations - US agency	-	-	-	8	(971)	8,861	8	(971)	8,861
Collateralized mortgage obligations - Private label	4	(27)	8,063	16	(906)	18,632	20	(933)	26,695
Totals	7	$ (29)	$ 9,361	74	$ (6,077)	$ 76,588	81	$ (6,106)	$ 85,949

	December 31, 2024								
	Less than Twelve Months			Twelve Months or More			Total		
(In thousands)	Number of Individual Securities	Unrealized Losses	Fair Value	Number of Individual Securities	Unrealized Losses	Fair Value	Number of Individual Securities	Unrealized Losses	Fair Value
Available-for-Sale Portfolio									
US Treasury, agencies and GSEs	2	$ (132)	$ 18,790	8	$ (3,702)	$ 26,748	10	$ (3,834)	$ 45,538
State and political subdivisions	6	(3)	900	21	(1,925)	25,211	27	(1,928)	26,111
Corporate	-	-	-	4	(284)	3,410	4	(284)	3,410
Asset backed securities	3	(328)	3,608	7	(145)	8,343	10	(473)	11,951
Residential mortgage-backed - US agency	13	(794)	29,628	9	(706)	6,107	22	(1,500)	35,735
Collateralized mortgage obligations - US agency	1	(15)	1,937	11	(876)	6,972	12	(891)	8,909
Collateralized mortgage obligations - Private label	9	(43)	15,561	20	(2,232)	23,309	29	(2,275)	38,870
Totals	34	$ (1,315)	$ 70,424	80	$ (9,870)	$ 100,100	114	$ (11,185)	$ 170,524
Held-to-Maturity Portfolio									
US Treasury, agencies and GSE's	-	$ -	$ -	2	$ (282)	$ 3,366	2	$ (282)	$ 3,366
State and political subdivisions	6	(5)	1,438	16	(1,828)	12,561	22	(1,833)	13,999
Corporate	1	(7)	993	35	(1,733)	28,603	36	(1,740)	29,596
Asset backed securities	2	(5)	2,241	5	(552)	6,862	7	(557)	9,103
Residential mortgage-backed - US agency	1	(115)	2,808	7	(613)	4,866	8	(728)	7,674
Collateralized mortgage obligations - US agency	-	-	-	9	(1,223)	10,121	9	(1,223)	10,121
Collateralized mortgage obligations - Private label	3	(55)	8,644	26	(1,615)	34,539	29	(1,670)	43,183
Totals	13	$ (187)	$ 16,124	100	$ (7,846)	$ 100,918	113	$ (8,033)	$ 117,042

Excluding the effects of changes in the characteristics of individual debt securities that potentially give rise to credit losses, as described below, the fair market value of a debt security as of a particular measurement date is highly dependent upon prevailing market and economic environmental factors at the measurement date relative to the prevailing market and economic environmental factors present at the time the debt security was acquired. The most significant market and environmental factors include, but are not limited to (1) the general level of interest rates, (2) the relationship between shorter-term interest rates and longer-term interest rates (referred to as the “slope” or "shape" of the interest rate yield curve), (3) general bond market liquidity, (4) the recent and expected near-term volume of new issuances of similar debt securities, and (5) changes in the market values of individual loan collateral underlying mortgage-backed an asset-backed debt securities. Changes in interest rates affect the fair market values of debt securities by influencing the discount rate applied to the securities’ future expected cash flows. The higher the discount rate, the lower the resultant security fair value at the measurement date. Conversely, the lower the discount rate, the higher the resultant security fair value at the measurement date. In addition, the cumulative amount and timing of undiscounted cash flows of debt securities may also be affected by changes in interest rates. For any given level of movement in the general market and economic environmental factors described above, the magnitude of any particular debt security’s price changes will also depend heavily upon security-specific factors such as (1) the duration of the security, (2) imbedded optionality contractually granted to the issuer of the security with respect to principal prepayments, and (3) changes in the level of market premiums demanded by investors for securities with imbedded credit risk (where applicable).

When the fair value of any individual security categorized as available-for-sale ("AFS") or held-to-maturity ("HTM") is less than its amortized cost basis, an assessment is made as to whether or not a charge to current earnings for credit losses is required. In assessing potential credit losses, management also makes a quantitative determination of potential credit losses for all HTM securities even if the risk of credit loss is considered remote and uses a best estimate threshold for securities categorized as AFS. The Company considers numerous factors when determining whether a potential credit loss exists. The principal factors considered are (1) the financial condition of the issue and (guarantor, if any) any adverse conditions specifically related to the security, industry or geographic area, (2) failure of the issuer of the security to make scheduled interest or principal payments, (3) any changes to the rating of the security by a nationally recognized statistical rating organization (“NRSRO”), and (4) the presence of contractual credit enhancements, if any, including the guarantee of the federal government or any of its agencies.

The Company carries all of its AFS investments at fair value with any unrealized gains or losses reported, net of income tax effects, as an adjustment to shareholders' equity and included in accumulated other comprehensive income (loss), except for the credit-related portion of debt securities’ credit losses, if any, which are charged to earnings. The Company's ability to fully realize the value of its investments in various securities, including corporate debt securities, is dependent on the underlying creditworthiness of the issuing organization. In evaluating the debt securities portfolio (both AFS and HTM) for credit losses, management considers (1) if we intend to sell the security; (2) if it is “more likely than not” we will be required to sell the security before recovery of its amortized cost basis; or (3) if the present value of expected cash flows is insufficient to recover the entire amortized cost basis.

The portion of the investment securities portfolio, categorized as AFS, with an aggregate amortized historical cost of $301.8 million, had an aggregate fair value that was less than its aggregate amortized historical cost by $7.5 million, decreasing 2.5%, at September 30, 2025. The AFS securities portfolio, with an aggregate amortized historical cost of $279.6 million, had an aggregate fair value that was less than its aggregate amortized historical cost by $10.2 million, or a decrease of 3.7%, at December 31, 2024. The resultant $2.7 million total improvement in the fair value of the AFS investment portfolio's aggregate fair value, relative to its aggregate amortized historical cost, in the nine months ended September 30, 2025, was primarily due to changes in the interest rate environment (the general interest rate level and the relationships between shorter-term and longer-term interest rates, known as the "yield curve") that occurred in that period. These changes in aggregate fair value relative to aggregate amortized historical cost that occurred in the nine months ended September 30, 2025 did not represent any changes in credit loss estimations within the portfolio.

The portion of the investment securities portfolio, categorized as HTM, with an aggregate amortized historical cost of $142.8 million, had an aggregate fair value that was less than its aggregate amortized historical cost by $5.8 million, decreasing 4.1%, at September 30, 2025. The portion of the investment securities portfolio, categorized as HTM, with an aggregate amortized historical cost of $158.9 million, had an aggregate fair value that was less than its aggregate amortized historical cost by $7.9 million, or a decrease of 5.0%, at December 31, 2024. The resultant $2.1 million improvement in the aggregate fair value of the HTM investment portfolio, relative to its aggregate amortized historical cost, during the nine months ended September 30, 2025, was primarily due to changes in the interest rate environment (the general interest rate level and the relationships between shorter-term and longer-term interest rates, known as the "yield curve") that occurred in that period. These changes in aggregate fair value relative to aggregate amortized historical cost that occurred in the nine months ended September 30, 2025 did not represent any changes in credit loss estimations within the portfolio. The Company does not intend to sell these securities, nor is it more likely than not that the Company will be required to sell these securities prior to the recovery of the amortized cost.

The following tables represent a rollforward of the allowance for credit losses on investment securities classified as held-to-maturity for the three months ended September 30, 2025 and 2024:

(In thousands)	Government Issued and Government Sponsored Enterprise Securities	Mortgage and Asset-backed Securities	Securities Issued By State and Political Subdivisions	Corporate Securities	Total
Balance, June 30, 2025	$ -	$ -	$ 1	$ 261	$ 262
Provision for credit losses	-	-	-	-	-
Allowance on purchased financial assets with credit deterioration	-	-	-	-	-
Charge-offs of securities	-	-	-	-	-
Recoveries	-	-	-	-	-
Balance, September 30, 2025	$ -	$ -	$ 1	$ 261	$ 262

	Government Issued and Government Sponsored Enterprise Securities	Mortgage and Asset-backed Securities	Securities Issued By State and Political Subdivisions	Corporate Securities	Total
Balance, June 30, 2024	$ -	$ -	$ 1	$ 292	$ 293
Provision for credit losses	-	-		(31)	(31)
Allowance on purchased financial assets with credit deterioration	-	-	-	-	-
Charge-offs of securities	-	-	-	-	-
Recoveries	-	-	-	-	-
Balance, September 30, 2024	$ -	$ -	$ 1	$ 261	$ 262

The following tables represent a rollforward of the allowance for credit losses on investment securities classified as held-to-maturity for the nine months ended September 30, 2025 and 2024:

(In thousands)	Government Issued and Government Sponsored Enterprise Securities	Mortgage and Asset-backed Securities	Securities Issued By State and Political Subdivisions	Corporate Securities	Total
Balance, December 31, 2024	$ -	$ -	$ 1	$ 256	$ 257
Provision (credit) for credit losses	-	-	-	5	5
Allowance on purchased financial assets with credit deterioration	-	-	-	-	-
Charge-offs of securities	-	-	-	-	-
Recoveries	-	-	-	-	-
Balance, September 30, 2025	$ -	$ -	$ 1	$ 261	$ 262

(In thousands)	Government Issued and Government Sponsored Enterprise Securities	Mortgage and Asset-backed Securities	Securities Issued By State and Political Subdivisions	Corporate Securities	Total
Balance, December 31, 2023	$ -	$ -	$ 2	$ 350	$ 352
Provision for credit losses	-	-	(1)	(89)	(90)
Allowance on purchased financial assets with credit deterioration	-	-	-	-	-
Charge-offs of securities	-	-	-	-	-
Recoveries	-	-	-	-	-
Balance, September 30, 2024	$ -	$ -	$ 1	$ 261	$ 262

The Company monitors the credit quality of the debt securities categorized as HTM primarily through the use of NRSRO credit ratings. These assessments are made on a quarterly basis. The following tables summarize the amortized cost of debt securities categorized as HTM at September 30, 2025 and December 31, 2024, aggregated by credit quality indicators:

(In thousands)	September 30, 2025	December 31, 2024
AAA or equivalent	$ 37,193	$ 38,304
AA or equivalent, including securities issued by the United States Government or Government Sponsored Enterprises	34,888	40,429
A or equivalent	8,598	12,602
BBB or equivalent	10,003	15,265
BB or equivalent	1,489	1,487
Unrated	50,629	50,853
Total	$ 142,800	$ 158,940

Gross realized (losses) gains on sales and redemptions of available-for-sale and held-to-maturity securities for the indicated periods are detailed below:

	For the three months ended September 30,		For the nine months ended September 30,	
(In thousands)	2025	2024	2025	2024
Realized gains on investments	$ -	$ -	$ -	$ 750
Realized losses on investments	(12)	(188)	(20)	(1,070)
Total	$ (12)	$ (188)	$ (20)	$ (320)

As of September 30, 2025 and December 31, 2024, securities with a fair value of $133.9 million and $119.8 million, respectively, were pledged to collateralize certain municipal deposit relationships. As of the same dates, securities with a fair value of $126.3 million and $123.2 million, respectively, were pledged against certain borrowing arrangements.

Management has reviewed its loan and mortgage-backed securities portfolios and determined that, to the best of its knowledge, only minimal exposure exists to sub-prime or other high-risk residential mortgages. With limited exceptions in the Company’s investment portfolio involving the most senior tranches of securitized bonds, the Company is not in the practice of investing in, or originating, these types of investment securities.

Note 5: Pension and Postretirement Benefits

The Company has a noncontributory defined benefit pension plan covering most employees. The plan provides defined benefits based on years of service and final average salary. On May 14, 2012, the Company informed its employees of its decision to freeze participation and benefit accruals under the plan, primarily to reduce some of the volatility in earnings that can accompany the maintenance of a defined benefit plan. The plan was frozen on June 30, 2012. Compensation earned by employees up to June 30, 2012 is used for purposes of calculating benefits under the plan but there are no future benefit accruals after this date. Participants as of June 30, 2012 will continue to earn vesting credit with respect to their frozen accrued benefits as they continue to work. In addition, the Company provides certain health and life insurance benefits for a limited number of eligible retired employees. The healthcare plan is contributory with participants' contributions adjusted annually; the life insurance plan is noncontributory. Employees with less than 14 years of service as of January 1, 1995, are not eligible for the health and life insurance retirement benefits.

The composition of net periodic pension plan and postretirement plan costs for the indicated periods is as follows:

	Pension Benefits		Postretirement Benefits		Pension Benefits		Postretirement Benefits	
	For the three months ended September 30,				For the nine months ended September 30,			
(In thousands)	2025	2024	2025	2024	2025	2024	2025	2024
Service cost	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest cost	143	139	1	2	431	417	5	6
Expected return on plan assets	(255)	(253)	-	-	(767)	(760)	-	-
Amortization of prior service credits	-	-	(1)	(1)	-	-	(4)	(3)
Amortization of net losses/(gains)	36	39	-	(1)	107	116	(1)	(3)
Net periodic benefit plan (benefit) cost	$ (76)	$ (75)	$ -	$ -	$ (229)	$ (227)	$ -	$ -

The Company will evaluate the need for further contributions to the defined benefit pension plan during 2025. The prepaid pension asset of $8.3 million and $7.9 million as of September 30, 2025 and December 31, 2024 respectively, is recorded in other assets on the consolidated statements of condition.

Note 6: Loans

Major classifications of loans at the indicated dates are as follows:

(In thousands)	September 30, 2025	December 31, 2024
Residential mortgage loans:		
1-4 family first-lien residential mortgages	$ 238,975	$ 251,373
Construction	1,406	4,864
Total residential mortgage loans	240,381	256,237
Commercial loans:		
Real estate	371,683	377,619
Lines of credit	79,021	67,602
Other commercial and industrial	86,687	89,800
Paycheck Protection Program loans	74	113
Tax exempt loans	6,229	4,544
Total commercial loans	543,694	539,678
Consumer loans:		
Home equity and junior liens	50,106	51,948
Other consumer	65,694	72,710
Total consumer loans	115,800	124,658
Subtotal loans	899,875	920,573
Net deferred loan fees	(1,355)	(1,587)
Loans, net of deferred fees	898,520	918,986
Less allowance for credit losses	18,654	17,243
Loans receivable, net	$ 879,866	$ 901,743

Although the Bank may sometimes purchase or fund loan participation interests outside of its primary market areas, the Bank generally originates residential mortgage, commercial, and consumer loans largely to customers throughout Oswego and Onondaga counties. Although the Bank has a diversified loan portfolio, a substantial portion of its borrowers' abilities to honor their loan contracts is dependent upon the counties' employment and economic conditions.

Periodically, the Bank acquires diversified pools of loans, originated by unrelated third parties, as part of the Company's overall balance sheet management strategies. These acquisitions took place with nine separate transactions, that occurred between 2017 and 2019, with an additional six transactions occurring in 2021, and one transaction in 2024. The following tables detail the purchased loan pool positions held by the Bank at September 30, 2025 and December 31, 2024 (the month/year of the earliest acquisition date is depicted in parentheses):

(In thousands, except number of loans)	September 30, 2025					
	Original Balance	Current Balance	Unamortized Premium/ (Discount)	Number of Loans	Maturity Range (in years)	Cumulative net charge-offs
Commercial and industrial loans (6/2019)	$ 6,800	$ 800	$ -	16	1-4	$ -
Home equity lines of credit (8/2019)	21,900	3,000	2	81	3-24	103
Residential real estate loans (12/2019)	4,300	4,000	270	53	15-24	-
Unsecured consumer loan pool 1 (12/2019)	5,400	200	-	29	0-2	-
Unsecured consumer installment loans pool 3 (12/2019)	10,300	81	1	43	0-8	112
Secured consumer installment loans pool 4 (12/2020)	14,500	8,400	(1,148)	456	20-24	-
Unsecured consumer loans pool 5 (1/2021) [1]	24,400	11,200	(313)	563	5-20	1,335
Revolving commercial line of credit 1 (3/2021)	11,600	3,800	-	1	0-1	-
Secured consumer installment loans (11/2021)	21,300	15,400	(2,426)	780	16-24	542
Unsecured consumer loans pool 6 (11/2021) [1]	22,200	13,900	(1,926)	493	5-23	1,520
Revolving commercial line of credit 1 (7/2024)	1,050	14,000	22	1	0-1	-
Total	$ 143,750	$ 74,781	$ (5,518)	2,516		$ 3,612

(In thousands, except number of loans)	December 31, 2024					
	Original Balance	Current Balance	Unamortized Premium/ (Discount)	Number of Loans	Maturity Range (in years)	Cumulative net charge-offs
Commercial and industrial loans (6/2019)	$ 6,800	1,200	-	19	1-5	-
Home equity lines of credit (8/2019)	21,900	3,500	5	92	4-25	97
Unsecured consumer loan pool 2 (11/2019)	26,600	10	-	12	0-1	-
Residential real estate loans (12/2019)	4,300	4,200	278	54	16-25	-
Unsecured consumer loan pool 1 (12/2019)	5,400	500	-	41	1-2	-
Unsecured consumer installment loans pool 3 (12/2019)	10,300	150	3	79	0-8	112
Secured consumer installment loans pool 4 (12/2020)	14,500	9,300	(1,257)	475	21-24	22
Unsecured consumer loans pool 5 (1/2021) [1]	24,400	12,600	(342)	595	6-21	1,124
Revolving commercial line of credit 1 (3/2021)	11,600	7,900	-	1	0-1	-
Secured consumer installment loans (11/2021)	21,300	16,300	(2,613)	802	17-24	467
Unsecured consumer loans pool 6 (11/2021) [1]	22,200	15,200	(2,069)	506	7-23	1,196
Revolving commercial line of credit 1 (7/2024)	1,050	4,800	31	1	0-1	-
Total	$ 170,350	$ 75,660	$ (5,964)	2,677		$ 3,018

[1] On December 7, 2023, the Bank settled two pay-fixed interest rate swap derivative contracts, previously established with an unaffiliated third party and designated as fair value interest rate hedges. The hedging swap contracts were related to two purchased consumer installment loan pools comprised of loans secured by residential home solar power infrastructure. These contracts were entered into on February 13, 2021 (notional amount of $12.2 million) and December 8, 2021 (notional amount of $8.5 million). The Bank realized gains related to the settlement of these two hedging contracts were $117,000 and $694,000, respectively. These gains on the extinguishments of the hedging swap contracts are reported as a reduction of the carrying value of the hedged loan pools and will be recognized as an enhancement to the reported yield on those loan pools over the original contractual life of the hedging swap contracts. The unamortized portion of these gains totaled $634,000 at September 30, 2025.

At September 30, 2025 and December 31, 2024, the allowance for credit losses (the "ACL") related to these pools were $3.1 million and $3.9 million, respectively.

As of September 30, 2025, the Company had $107.7 million in residential and commercial real estate mortgage loans pledged to the Federal Home Loan Bank of New York ("FHLB-NY"). During the nine months ended September 30, 2025, the Company also initiated the pledge of $10.2 million in home equity loans to the Federal Reserve Bank of New York

(“FRB-NY”).

As of December 31, 2024, the Company pledged collateral with the FHLB-NY of $113.8 million and had no loans pledged to the FRB-NY. All loans pledged with the FHLB-NY and FRB-NY are under a blanket collateral agreement to secure the Company’s line of credit and term borrowings.

Loan Origination / Risk Management

The Company’s lending policies and procedures are presented in Note 5 to the audited consolidated financial statements included in the 2024 Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 31, 2025 and have not changed. As part of the execution of the Company’s overall balance sheet management strategies, the Bank will acquire participating interests in loans originated by unrelated third parties on an occasional basis. The purchase of participations in loans that are originated by third parties only occurs after the completion of thorough pre-acquisition due diligence. Loans in which the Company acquires a participating interest are determined to meet, in all material respects, the Company’s internal underwriting policies, including credit and collateral suitability thresholds, prior to acquisition. In addition, the financial condition of the originating financial institutions, which are generally retained as the ongoing loan servicing provider for participations acquired by the Bank, are analyzed prior to the acquisition of the participating interests and monitored on a regular basis thereafter for the life of those interests.

To develop and document a systematic methodology for determining the allowance for credit losses, the Company has divided the loan portfolio into three portfolio segments, each with different risk characteristics but with similar methodologies for assessing risk. Each portfolio segment is broken down into loan classes where appropriate. Loan classes contain unique measurement attributes, risk characteristics, and methods for monitoring and assessing risk that are necessary to develop the allowance for credit losses. Unique characteristics such as borrower type, loan type, collateral type, and risk characteristics define each class.

The following table illustrates the portfolio segments and classes for the Company’s loan portfolio:

Portfolio Segment	**Class**
Residential Mortgage Loans	1-4 family first-lien residential mortgages Construction
Commercial Loans	Real estate Lines of credit Other commercial and industrial Tax exempt loans
Consumer Loans	Home equity and junior liens Other consumer

The following tables present the classes of the loan portfolio as of September 30, 2025, summarized by the aggregate pass rating and the classified ratings of special mention, substandard and doubtful within the Company's internal risk rating system as of the dates indicated:

(In thousands)	Term Loans By Origination Year 2025	2024	2023	2022	2021	Prior	Revolving loans	Revolving loans converted to term loans	Total
Commercial real estate:									
Pass	$ 32,158	$ 47,967	$ 29,667	$ 53,338	$ 40,680	$ 125,159	$ -	$ -	$ 328,969
Special Mention	3,061	-	11,495	7,505	-	4,037	-	-	26,098
Substandard	-	832	1,238	8,082	3,951	2,454	-	-	16,557
Doubtful	-	-	-	-	-	59	-	-	59
Total commercial real estate	35,219	48,799	42,400	68,925	44,631	131,709	-	-	371,683
Commercial lines of credit:									
Pass	-	-	-	-	-	-	67,975	2,613	70,588
Special Mention	-	-	-	-	-	-	6,825	-	6,825
Substandard	-	-	-	-	-	-	1,369	239	1,608
Doubtful	-	-	-	-	-	-	-	-	-
Total commercial lines of credit	-	-	-	-	-	-	76,169	2,852	79,021
Other commercial and industrial:									
Pass	12,734	14,542	14,863	12,244	2,626	13,460	4,028	-	74,497
Special Mention	576	1,574	4,435	-	41	1,337	-	-	7,963
Substandard	-	-	126	-	196	3,905	-	-	4,227
Doubtful	-	-	-	-	-	-	-	-	-
Total other commercial and industrial	13,310	16,116	19,424	12,244	2,863	18,702	4,028	-	86,687
Paycheck Protection Program loans									
Pass	-	-	-	-	-	74	-	-	74
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total Paycheck Protection Program loans	-	-	-	-	-	74	-	-	74
Tax exempt loans									
Pass	2,000	62	-	-	-	4,167	-	-	6,229
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total tax exempt loans	2,000	62	-	-	-	4,167	-	-	6,229
1-4 family first-lien residential mortgages:									
Pass	8,552	11,155	15,372	26,998	43,669	130,461	$ -	$ -	236,207
Special Mention	-	-	-	-	-	589	-	-	589
Substandard	-	-	-	100	89	1,203	-	-	1,392
Doubtful	-	-	-	-	-	787	-	-	787
Total 1-4 family first-lien residential mortgages	8,552	11,155	15,372	27,098	43,758	133,040	-	-	238,975
Construction:									
Pass	1,406	-	-	-	-	-	-	-	1,406
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total construction	1,406	-	-	-	-	-	-	-	1,406
Home equity and junior liens:									
Pass	4,325	2,534	3,359	2,931	2,674	11,053	21,179	889	48,944
Special Mention	-	-	-	-	-	50	20	-	70
Substandard	-	-	59	-	12	358	657	6	1,092
Doubtful	-	-	-	-	-	-	-	-	-
Total home equity and junior liens	4,325	2,534	3,418	2,931	2,686	11,461	21,856	895	50,106
Other Consumer:									
Pass	2,522	2,728	53,547	2,900	1,523	2,365	-	-	65,585
Special Mention	-	-	5	-	-	11	-	-	16
Substandard	-	-	17	13	63	-	-	-	93
Doubtful	-	-	-	-	-	-	-	-	-
Total other consumer	2,522	2,728	53,569	2,913	1,586	2,376	-	-	65,694
Net deferred loan fees	(392)	76	5	(164)	(169)	(711)	-	-	(1,355)
Total loans	$ 66,942	$ 81,470	$ 134,188	$ 113,947	$ 95,355	$ 300,818	$ 102,053	$ 3,747	$ 898,520

The following tables present the classes of the loan portfolio as of December 31, 2024, summarized by the aggregate pass rating and the classified ratings of special mention, substandard and doubtful within the Company's internal risk rating system as of the dates indicated:

	Term Loans By Origination Year								
(In thousands)	2024	2023	2022	2021	2020	Prior	Revolving loans	Revolving loans converted to term loans	Total
Commercial real estate:									
Pass	$ 45,123	$ 51,531	$ 61,943	$ 50,014	$ 27,688	$ 107,106	$ -	$ -	$ 343,405
Special Mention	-	-	16,160	-	-	4,370	-	-	20,530
Substandard	838	4,165	500	4,819	215	2,938	-	-	13,475
Doubtful	-	150	-	-	-	59	-	-	209
Total commercial real estate	45,961	55,846	78,603	54,833	27,903	114,473	-	-	377,619
Commercial lines of credit:									
Pass	-	-	-	-	-	-	57,618	2,495	60,113
Special Mention	-	-	-	-	-	-	5,622	190	5,812
Substandard	-	-	-	-	-	-	1,309	368	1,677
Doubtful	-	-	-	-	-	-	-	-	-
Total commercial lines of credit	-	-	-	-	-	-	64,549	3,053	67,602
Other commercial and industrial:									
Pass	14,141	20,814	14,160	4,186	3,987	14,609	6,022	-	77,919
Special Mention	2,640	2,220	65	258	34	-	-	-	5,217
Substandard	-	132	1,041	-	312	4,398	-	-	5,883
Doubtful	-	328	24	429	-	-	-	-	781
Total other commercial and industrial	16,781	23,494	15,290	4,873	4,333	19,007	6,022	-	89,800
Paycheck Protection Program loans									
Pass	-	-	-	-	113	-	-	-	113
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total Paycheck Protection Program loans	-	-	-	-	113	-	-	-	113
Tax exempt loans									
Pass	87	-	-	-	94	4,363	-	-	4,544
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total tax exempt loans	87	-	-	-	94	4,363	-	-	4,544
1-4 family first-lien residential mortgages:									
Pass	11,085	15,922	29,167	48,525	35,973	107,571	$ -	$ -	248,243
Special Mention	-	-	-	-	554	473	-	-	1,027
Substandard	-	-	-	91	207	713	-	-	1,011
Doubtful	-	-	-	-	152	940	-	-	1,092
Total 1-4 family first-lien residential mortgages	11,085	15,922	29,167	48,616	36,886	109,697	-	-	251,373
Construction:									
Pass	4,864	-	-	-	-	-	-	-	4,864
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total construction	4,864	-	-	-	-	-	-	-	4,864
Home equity and junior liens:									
Pass	6,113	4,092	3,181	2,906	1,692	11,807	20,352	706	50,849
Special Mention	-	-	-	-	-	75	20	-	95
Substandard	-	-	-	12	-	320	657	6	995
Doubtful	-	-	-	-	-	-	-	9	9
Total home equity and junior liens	6,113	4,092	3,181	2,918	1,692	12,202	21,029	721	51,948
Other Consumer:									
Pass	4,475	58,818	3,908	2,021	1,031	2,305	-	-	72,558
Special Mention	2	2	20	5	24	13	-	-	66
Substandard	-	-	10	76	-	-	-	-	86
Doubtful	-	-	-	-	-	-	-	-	-
Total other consumer	4,477	58,820	3,938	2,102	1,055	2,318	-	-	72,710
Net deferred loan fees	(462)	18	(171)	(197)	(70)	(705)	-	-	(1,587)
Total loans	$ 88,906	$ 158,192	$ 130,008	$ 113,145	$ 72,006	$ 261,355	$ 91,600	$ 3,774	$ 918,986

Management has reviewed its loan portfolio and determined that, to the best of its knowledge, no material exposure exists to sub-prime or other high-risk residential mortgages. The Company is not in the practice of originating these types of loans.

Nonaccrual and Past Due Loans

Loans are considered past due if the required principal and interest payments have not been received within thirty days of the payment due date. Loans are placed on nonaccrual when the contractual payment of principal and interest has become 90 days past due or when management has serious doubts about further collectability of principal or interest, even though the loan may be currently performing.

An aging analysis of past due loans, not including net deferred loan costs, segregated by portfolio segment and class of loans, as of September 30, 2025 and December 31, 2024, are detailed in the following tables:

	As of September 30, 2025					
(In thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days and Over	Total Past Due	Current	Total Loans Receivable
Residential mortgage loans:						
1-4 family first-lien residential mortgages	$ 2,208	$ 1,142	$ 2,226	$ 5,576	$ 233,399	$ 238,975
Construction	-	-	-	-	1,406	1,406
Loans held-for-sale	-	-	-	-	-	-
Total residential mortgage loans	2,208	1,142	2,226	5,576	234,805	240,381
Commercial loans:						
Real estate	1,677	1,081	14,709	17,467	354,216	371,683
Lines of credit	172	768	1,042	1,982	77,039	79,021
Other commercial and industrial	4,333	253	4,418	9,004	77,683	86,687
Paycheck Protection Program loans	-	-	-	-	74	74
Tax exempt loans	-	-	-	-	6,229	6,229
Total commercial loans	6,182	2,102	20,169	28,453	515,241	543,694
Consumer loans:						
Home equity and junior liens	687	271	471	1,429	48,677	50,106
Other consumer	527	470	439	1,436	64,258	65,694
Total consumer loans	1,214	741	910	2,865	112,935	115,800
Total loans	$ 9,604	$ 3,985	$ 23,305	$ 36,894	$ 862,981	$ 899,875

	As of December 31, 2024					
(In thousands)	30-59 Days Past Due	60-89 Days Past Due	90 Days and Over	Total Past Due	Current	Total Loans Receivable
Residential mortgage loans:						
1-4 family first-lien residential mortgages	$ 2,262	$ 805	$ 3,162	$ 6,229	$ 245,144	$ 251,373
Construction	-	-	-	-	4,864	4,864
Loans held-for-sale	-	-	-	-	-	-
Total residential mortgage loans	2,262	805	3,162	6,229	250,008	256,237
Commercial loans:						
Real estate	1,110	2,086	10,261	13,457	364,162	377,619
Lines of credit	953	28	1,448	2,429	65,173	67,602
Other commercial and industrial	3,022	366	6,503	9,891	79,909	89,800
Paycheck Protection Program loans	-	-	-	-	113	113
Tax exempt loans	-	-	-	-	4,544	4,544
Total commercial loans	5,085	2,480	18,212	25,777	513,901	539,678
Consumer loans:						
Home equity and junior liens	584	329	414	1,327	50,621	51,948
Other consumer	912	560	296	1,768	70,942	72,710
Total consumer loans	1,496	889	710	3,095	121,563	124,658
Total loans	$ 8,843	$ 4,174	$ 22,084	$ 35,101	$ 885,472	$ 920,573

As of September 30, 2025 and December 31, 2024, the amount of interest income recognized on nonaccrual loans and the cost basis of nonaccrual loans, for which there is no ACL, are detailed in the following tables. All loans greater than 90 days past due are classified as nonaccrual.

	As of and for the nine months ended September 30, 2025		
(In thousands)	Nonaccrual Loans	Nonaccrual loans without related allowance for credit loss	Recognized interest income
Residential mortgage loans:			
1-4 family first-lien residential mortgages	$ 2,226	$ -	$ 94
Total residential mortgage loans	2,226	-	94
Commercial loans:			
Real estate	14,709	11,893	295
Lines of credit	1,042	948	103
Other commercial and industrial	4,418	13	267
Total commercial loans	20,169	12,854	665
Consumer loans:			
Home equity and junior liens	471	-	40
Other consumer	439	-	16
Total consumer loans	910	-	56
Total nonaccrual loans	$ 23,305	$ 12,854	$ 815

	As of and for the year ended December 31, 2024		
(In thousands)	Nonaccrual Loans	Nonaccrual loans without related allowance for credit loss	Recognized interest income
Residential mortgage loans:			
1-4 family first-lien residential mortgages	$ 3,162	$ 641	$ 102
Total residential mortgage loans	3,162	641	102
Commercial loans:			
Real estate	10,261	4,537	302
Lines of credit	1,448	1,255	81
Other commercial and industrial	6,503	1,921	258
Total commercial loans	18,212	7,713	641
Consumer loans:			
Home equity and junior liens	414	-	10
Other consumer	296	-	21
Total consumer loans	710	-	31
Total nonaccrual loans	$ 22,084	$ 8,354	$ 774

At September 30, 2025, the Bank's 73 nonperforming loans represented 2.6% of total loans, with an aggregate outstanding balance of $23.3 million, as compared to 93 loans, representing 2.4% of total loans, with an aggregate outstanding balance of $22.1 million at December 31, 2024. This increase in nonaccrual balances of $1.2 million was primarily the result of loans associated with two local commercial relationships that moved to nonperforming status.

The measurement of individually evaluated loans is generally based upon the present value of future cash flows discounted at the historical effective interest rate, except that all collateral-dependent loans are measured based on the fair value of the collateral, less costs to sell. The Company utilizes the Discounted Cash Flow (“DCF”) method for its pooled segment calculation. The DCF method implements a probability of default with loss given default and loss exposure at default estimation. The probability of default and loss given default are applied to future cash flows that are adjusted to present value and these discounted expected losses become the Allowance for Credit Losses.

Loans Modified With Borrowers Experiencing Financial Difficulty

When the Company modifies a loan with a borrower experiencing financial difficulty, a potential impairment is analyzed either based on the present value of the expected future cash flows discounted at the interest rate of the original loan terms or the fair value of the collateral less costs to sell. If it is determined that the value of the loan is less than its recorded investment, then impairment is recognized as a component of the provision for credit losses, an associated increase to the allowance for credit losses or as a charge-off to the allowance for credit losses in the current period.

Because the effect of most loan modifications made with borrowers experiencing financial difficulty is already included in the allowance for credit losses, a change to the allowance for credit losses is generally not recorded upon modification. In some cases, the Company will modify a certain loan by providing multiple types of concessions. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession such as an interest rate reduction, may be granted. Nonaccrual loans that are modified will remain on nonaccrual status, but may move to accrual status after they have performed according to the modified terms for a period of time of at least six consecutive months.

The financial impact of commercial loan modifications made to borrowers experiencing financial difficult during the three and nine months ended September 30, 2025 related to a total of three borrowers that were granted either maturity extensions or an interest modification. The Company closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The payment status of modified loans were current during the three months ending September 30, 2025. There were no loan modifications made to borrowers experiencing financial difficulty during the three or nine months ended September 30, 2024.

The following table presents the amortized cost basis of loans for the three and nine months ended September 30, 2025 and September 30, 2024 that were experiencing financial difficulty and modified, by class and by type of modification.

	Three Months Ended September 30, 2025			Three Months Ended September 30, 2024		
(In thousands)		Term Extension	Total Class of Receivable		Term Extension	Total Class of Receivable
Residential mortgage loans	$	-	-	$	-	-
Commercial real estate		-	-		-	-
Commercial lines of credit		-	-		-	-
Commercial and industrial		-	-		-	-
Home equity and consumer		-	-		-	-
Total	$	-	0.0%	$	-	0%

	Nine Months Ended September 30, 2025			Nine Months Ended September 30, 2024		
(In thousands)		Term Extension	Total Class of Receivable		Term Extension	Total Class of Receivable
Residential mortgage loans	$	-	-	$	-	-
Commercial real estate		-	-		-	-
Commercial lines of credit		-	-		-	-
Commercial and industrial		2,367	2.7%		-	-
Home equity and consumer		-	-		-	-
Total	$	2,367	2.7%	$	-	0%

(In thousands)		Three Months Ended September 30, 2025 Interest Rate Reduction	Total Class of Receivable		Three Months Ended September 30, 2024 Interest Rate Reduction	Total Class of Receivable
Residential mortgage loans	$	-	-	$	-	-
Commercial real estate		-	-		-	-
Commercial lines of credit		-	-		-	-
Commercial and industrial		1,337	1.5%		-	-
Home equity and consumer		-	-		-	-
Total	$	1,337	1.5%	$	-	0%

(In thousands)		Nine Months Ended September 30, 2025 Interest Rate Reduction	Total Class of Receivable		Nine Months Ended September 30, 2024 Interest Rate Reduction	Total Class of Receivable
Residential mortgage loans	$	-	-	$	-	-
Commercial real estate		11,495	3.1%		-	-
Commercial lines of credit		-	-		-	-
Commercial and industrial		1,337	0.4%		-	-
Home equity and consumer		-	-		-	-
Total	$	12,832	3.5%	$	-	0%

Note 7: Allowance for Credit Losses

Management extensively reviews recent trends in historical losses, qualitative factors, including concentrations of loans to related borrowers and concentrations of loans by collateral type, and specific reserve requirements on loans individually evaluated in its determination of the adequacy of the credit losses. The Company recorded $3.5 million in provision for credit losses ("PCL") for the three month period ended September 30, 2025, as compared to $9.0 million for the three month period ended September 30, 2024. For the first nine months of 2025, the Company recorded $5.1 million in provision for credit losses compared to $10.0 million in the first nine months of the prior year.

The provision for credit losses for the third quarter of 2025 was due to an increase in credit loss reserves primarily associated with two local commercial relationships that moved to nonperforming status, in addition to $670,000 of net charge offs during the period. The Company continued to undertake proactive measures in the third quarter of 2025 to mitigate credit risk and enhance asset quality metrics for the long term, including the initiation of a comprehensive loan portfolio review in September 2025, encompassing performing and nonperforming loans of $500,000 or more, representing approximately 90% of all outstanding loans. This review is expected to be completed by the end of 2025.

In addition, during the third quarter of 2025, the Company recorded a PCL increase of $153,000 to the PCL for unfunded commitments. The provision in the quarter ended September 30, 2025 was reflective of the qualitative factors used in determining the adequacy of the ACL and changes in the levels of delinquent and nonaccrual loans. The third quarter PCL reflects an addition to reserves considering asset quality metrics.

The following tables summarize the activity related to the ACL during the three months and nine months ended September 30, 2025 and 2024 (in thousands):

ACL - Loans	Reserves as of June 30, 2025	Q3 2025 Charge-Offs	Q3 2025 Recoveries	Q3 2025 PCL	Reserves as of September 30, 2025
	Three Months Ended September 30, 2025				
Individually evaluated	$ 2,339	$ -	$ -	$ 3,185	$ 5,524
Overdraft	-	(34)	4	30	-
Pooled - quantitative	6,538	(445)	122	2,570	8,785
Pooled - qualitative	3,517	-	-	(2,273)	1,244
Purchased	3,589	(444)	127	(171)	3,101
Total ACL - Loans	$ 15,983	$ (923)	$ 253	$ 3,341	$ 18,654
ACL - Held-To-Maturity	262	-	-	-	262
Other Liabilities - Unfunded Commitments	522	-	-	153	675
Total ACL	$ 16,767	$ (923)	$ 253	$ 3,494	$ 19,591

ACL - Loans	Reserves as of June 30, 2024	Q3 2024 Charge-Offs	Q3 2024 Recoveries	Q3 2024 PCL	Reserves as of September 30, 2024
	Three Months Ended September 30, 2024				
Individually evaluated	$ 4,481	$ (6,153)	$ 5	$ 4,110	$ 2,443
Overdraft	342	(121)	47	(268)	-
Pooled - quantitative	6,309	(29)	38	556	6,874
Pooled - qualitative	3,634	-	-	89	3,723
Purchased	2,126	(2,509)	-	4,617	4,234
Total ACL - Loans	$ 16,892	$ (8,812)	$ 90	$ 9,104	$ 17,274
ACL - Held-To-Maturity	293	-	-	(31)	262
Other Liabilities - Unfunded Commitments	650	-	-	(104)	546
Total ACL	$ 17,835	$ (8,812)	$ 90	$ 8,969	$ 18,082

ACL - Loans	Reserves as of December 31, 2024	2025 Charge-Offs	2025 Recoveries	2025 PCL	Reserves as of September 30, 2025
	Nine Months Ended September 30, 2025				
Individually evaluated	$ 2,485	$ -	$ -	$ 3,039	$ 5,524
Overdraft	-	(100)	23	77	-
Pooled - quantitative	6,570	(3,079)	196	5,098	8,785
Pooled - qualitative	4,269	-	-	(3,025)	1,244
Purchased	3,919	(1,096)	449	(171)	3,101
Total ACL - Loans	$ 17,243	$ (4,275)	$ 668	$ 5,018	$ 18,654
ACL - Held-To-Maturity	257	-	-	5	262
Other Liabilities - Unfunded Commitments	550	-	-	125	675
Total ACL	$ 18,050	$ (4,275)	$ 668	$ 5,148	$ 19,591

ACL - Loans	Reserves as of December 31, 2023	Nine Months Ended September 30, 2024 2024 Charge-Offs	2024 Recoveries	2024 PCL	Reserves as of September 30, 2024
Individually evaluated	$ 3,716	$ (6,153)	$ 5	$ 4,875	$ 2,443
Overdraft	364	(155)	59	(268)	-
Pooled - quantitative	6,203	(176)	110	737	6,874
Pooled - qualitative	3,566	-	-	157	3,723
Purchased	2,126	(2,509)	-	4,617	4,234
Total ACL - Loans	$ 15,975	$ (8,993)	$ 174	$ 10,118	$ 17,274
ACL - Held-To-Maturity	352	-	-	(90)	262
Other Liabilities - Unfunded Commitments	589	-	-	(43)	546
Total ACL	$ 16,916	$ (8,993)	$ 174	$ 9,985	$ 18,082

Summarized in the tables below are changes in the allowance for credit losses for loans for the indicated periods and information pertaining to the allocation of the balances of the credit losses, loans receivable based on individual, and collective evaluation by loan portfolio class. An allocation of a portion of the allowance to a given portfolio class does not limit the Company's ability to absorb losses in another portfolio class.

	As of and for the three months ended September 30, 2025									
(In thousands)	1-4 family first-lien residential mortgage	Residential construction mortgage	Commercial real estate	Commercial lines of credit	Other commercial and industrial	Paycheck Protection Program	Tax exempt	Home equity and junior liens	Other consumer	Total
Allowance for credit losses:										
Beginning Balance	$ 1,342	$ 543	$ 6,396	$ 752	$ 2,671	$ -	$ 3	$ 663	$ 3,613	$ 15,983
Charge-offs	(112)	-	(51)	(82)	(60)	-	-	(52)	(565)	(922)
Recoveries	-	-	8	23	80	-	-	-	141	252
Provisions (credits)	872	(269)	2,286	(321)	833	-	2	(169)	107	3,341
Ending balance	$ 2,102	$ 274	$ 8,639	$ 372	$ 3,524	$ -	$ 5	$ 442	$ 3,296	$ 18,654
Ending balance: related to loans individually evaluated	$ 104	$ -	$ 3,568	$ 98	$ 1,570	$ -	$ -	$ 184	$ -	$ 5,524
Ending balance: related to loans collectively evaluated	$ 1,998	$ 274	$ 5,071	$ 274	$ 1,954	$ -	$ 5	$ 258	$ 3,296	$ 13,130
Loans receivables:										
Ending balance, gross	$ 238,975	$ 1,406	$ 371,683	$ 79,021	$ 86,687	$ 74	$ 6,229	$ 50,106	$ 65,694	$ 899,875
Ending balance: individually evaluated	$ 1,400	$ -	$ 23,863	$ 1,944	$ 4,328	$ -	$ -	$ 529	$ -	$ 32,064
Ending balance: collectively evaluated	$ 237,575	$ 1,406	$ 347,820	$ 77,077	$ 82,359	$ 74	$ 6,229	$ 49,577	$ 65,694	$ 867,811

(In thousands)	1-4 family first-lien residential mortgage	Residential construction mortgage	Commercial real estate	Commercial lines of credit	Other commercial and industrial	Paycheck Protection Program	Tax exempt	Home equity and junior liens	Other consumer	Total
	As of and for the three months ended September 30, 2024									
Allowance for credit losses:										
Beginning Balance	$ 1,536	$ 815	$ 6,663	$ 1,221	$ 3,821	$ -	$ 2	$ 625	$ 2,209	$ 16,892
Charge-offs	-	-	(1,204)	(1,918)	(2,936)	-	-	(51)	(2,703)	(8,812)
Recoveries	23	-	-	-	5	-	-	-	62	90
Provisions (credits)	(62)	(5)	1,122	1,220	1,845	-	(1)	172	4,813	9,104
Ending balance	$ 1,497	$ 810	$ 6,581	$ 523	$ 2,735	$ -	$ 1	$ 746	$ 4,381	$ 17,274
Ending balance: related to loans individually evaluated	$ 42	$ -	$ 862	$ 100	$ 1,192	$ -	$ -	$ 180	$ 67	$ 2,443
Ending balance: related to loans collectively evaluated	$ 1,455	$ 810	$ 5,719	$ 423	$ 1,543	$ -	$ 1	$ 566	$ 4,314	$ 14,831
Loans receivables:										
Ending balance, gross	$ 255,235	$ 4,077	$ 378,805	$ 64,672	$ 88,247	$ 125	$ 2,658	$ 52,709	$ 76,703	$ 923,231
Ending balance: individually evaluated	$ 1,733	$ -	$ 9,518	$ 1,455	$ 6,226	$ -	$ -	$ 591	$ 67	$ 19,590
Ending balance: collectively evaluated	$ 253,502	$ 4,077	$ 369,287	$ 63,217	$ 82,021	$ 125	$ 2,658	$ 52,118	$ 76,636	$ 903,641

(In thousands)	1-4 family first-lien residential mortgage	Residential construction mortgage	Commercial real estate	Commercial lines of credit	Other commercial and industrial	Tax exempt	Home equity and junior liens	Other consumer	Total
	As of and for the nine months ended September 30, 2025								
Allowance for credit losses:									
Beginning Balance	$ 1,467	$ 592	$ 6,746	$ 749	$ 2,879	$ 4	$ 715	$ 4,091	$ 17,243
Charge-offs	(124)	-	(919)	(370)	(1,383)	-	(77)	(1,402)	(4,275)
Recoveries	4	-	20	41	92	-	48	463	668
Provisions (credits)	755	(318)	2,792	(48)	1,936	1	(244)	144	5,018
Ending balance	$ 2,102	$ 274	$ 8,639	$ 372	$ 3,524	$ 5	$ 442	$ 3,296	$ 18,654

	As of and for the nine months ended September 30, 2024								
(In thousands)	1-4 family first-lien residential mortgage	Residential construction mortgage	Commercial real estate	Commercial lines of credit	Other commercial and industrial	Tax exempt	Home equity and junior liens	Other consumer	Total
Allowance for credit losses:									
Beginning Balance	$ 1,608	$ 858	$ 5,751	$ 1,674	$ 3,281	$ 1	$ 657	$ 2,145	$ 15,975
Charge-offs	-	-	(1,205)	(1,918)	(2,936)	-	(51)	(2,883)	(8,993)
Recoveries	31	-	19	-	12	-	1	111	174
Provisions (credits)	(142)	(48)	2,016	767	2,378	-	139	5,008	10,118
Ending balance	$ 1,497	$ 810	$ 6,581	$ 523	$ 2,735	$ 1	$ 746	$ 4,381	$ 17,274

The Company's methodology for determining its allowance for credit losses includes an analysis of qualitative factors that are added to the historical loss rates in arriving at the total allowance for credit losses needed for this general pool of loans. The qualitative factors include, but are not limited to, the following:

- Changes in national and local economic trends;
- The rate of growth in the portfolio;
- Trends of delinquencies and nonaccrual balances;
- Changes in loan policy; and
- Changes in lending management experience and related staffing.

Each factor is assigned a value to reflect improving, stable or declining conditions based on management's best judgment using relevant information available at the time of the evaluation. These qualitative factors, applied to each product class, make the evaluation inherently subjective, as it requires material estimates that may be susceptible to significant revision as more information becomes available. Adjustments to the factors are supported through documentation of changes in conditions in a narrative accompanying the allowance for credit losses analysis and calculation.

The allocation of the allowance for credit losses summarized on the basis of the Company's calculation methodology was as follows:

	As of September 30, 2025								
(In thousands)	1-4 family first-lien residential mortgage	Residential construction mortgage	Commercial real estate	Commercial lines of credit	Other commercial and industrial	Tax exempt	Home equity and junior liens	Other consumer	Total
Specifically reserved	$ 104	$ -	$ 3,568	$ 98	$ 1,570	$ -	$ 184	$ 3,101	$ 8,625
Historical loss rate	2,350	274	4,162	184	1,331	5	304	175	8,785
Qualitative factors	(352)	-	909	90	623	-	(46)	20	1,244
Total	$ 2,102	$ 274	$ 8,639	$ 372	$ 3,524	$ 5	$ 442	$ 3,296	$ 18,654

	As of December 31, 2024								
(In thousands)	1-4 family first-lien residential mortgage	Residential construction mortgage	Commercial real estate	Commercial lines of credit	Other commercial and industrial	Tax exempt	Home equity and junior liens	Other consumer	Total
Specifically reserved	$ 42	$ -	$ 853	$ 154	$ 1,165	$ -	$ 416	$ 3,774	$ 6,404
Historical loss rate	1,474	592	2,779	126	1,032	4	278	285	6,570
Qualitative factors	(49)	-	3,114	469	682	-	21	32	4,269
Total	$ 1,467	$ 592	$ 6,746	$ 749	$ 2,879	$ 4	$ 715	$ 4,091	$ 17,243

Collateral Dependent Disclosures

The Company has certain loans for which repayment is dependent upon the operation or sale of collateral, as the borrower is experiencing financial difficulty. The underlying collateral can vary based upon the type of loan. The following provides more detail about the types of collateral that secure collateral dependent loans:

•Commercial real estate loans can be secured by either owner occupied commercial real estate or non-owner occupied investment commercial real estate. Typically, owner occupied commercial real estate loans are secured by office buildings, warehouses, manufacturing facilities and other commercial and industrial properties occupied by operating companies. Non-owner occupied commercial real estate loans are generally secured by office buildings and complexes, retail facilities, multifamily complexes, land under development, industrial properties, as well as other commercial or industrial real estate.

•Residential real estate loans are typically secured by first mortgages, and in some cases could be secured by a second mortgage.

•Home equity lines of credit are generally secured by second mortgages on residential real estate property.

•Consumer loans are generally secured by automobiles, motorcycles, recreational vehicles and other personal property. Some consumer loans are unsecured and have no underlying collateral.

The following table details the amortized cost of collateral dependent loans at September 30, 2025 and December 31, 2024:

(In thousands)		September 30, 2025		December 31, 2024
Commercial and industrial	$	6,272	$	7,478
Commercial real estate		23,863		8,591
Residential (1-4 family) first mortgages		578		374
Home equity loans and lines of credit		504		528
Consumer loans		-		67
Total loans	$	31,217	$	17,038

Note 8: Foreclosed Real Estate

The Company is required to disclose the carrying amount of foreclosed real estate properties held as a result of obtaining physical possession of the property at each reporting period.

(In thousands)	Number of properties		September 30, 2025	Number of properties		December 31, 2024
Foreclosed real estate	3	$	137	-	$	-

At September 30, 2025 and December 31, 2024, the Company reported $552,000 and $1.2 million, respectively, in real estate loans in the process of foreclosure.

Note 9: Guarantees

The Company does not issue any guarantees that would require liability recognition or disclosure, other than its standby letters of credit. Generally, all letters of credit, when issued, have expiration dates within one year. The credit risks involved in issuing letters of credit are essentially the same as those that are involved in extending loan facilities to customers. The Company generally holds collateral and/or personal guarantees supporting these commitments. The Company had $3.1 million and $2.4 million of standby letters of credit as of September 30, 2025 and December 31, 2024, respectively. Management believes that the proceeds obtained through a liquidation of collateral and the enforcement of guarantees would be sufficient to cover the potential amount of future payments required under the corresponding guarantees. The fair value of standby letters of credit was not significant to the Company’s consolidated financial statements.

Note 10: Fair Value Measurements

Accounting guidance related to fair value measurements and disclosures specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company’s market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3 – Model-derived valuations in which one or more significant inputs or significant value drivers are unobservable.

An asset’s or liability’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs, minimize the use of unobservable inputs, to the extent possible, and considers counterparty credit risk in its assessment of fair value.

The Company used the following methods and significant assumptions to estimate fair value:

Investment securities: The fair values of available-for-sale and marketable equity securities are obtained from an independent third party and are based on quoted prices on nationally recognized securities exchanges where available (Level 1). If quoted prices are not available, fair values are measured by utilizing matrix pricing, which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted prices for specific securities but rather by relying on the securities’ relationship to other benchmark quoted securities (Level 2). Management made no adjustment to the fair value quotes that were received from the independent third party pricing service. Level 3 securities are assets whose fair value cannot be determined by using observable measures, such as market prices or pricing models. Level 3 assets are typically very illiquid, and fair values can only be calculated using estimates or risk-adjusted value ranges. Management applies known factors, such as currently applicable discount rates, to the valuation of those investments in order to determine fair value at the reporting date.

The Company holds two corporate investment securities with an amortized historical cost of $4.1 million and an aggregate fair market value of $4.2 million as of September 30, 2025. These securities have an aggregate valuation that is determined using published net asset values (NAV) derived by an analysis of the securities’ underlying assets. These securities are comprised primarily of broadly-diversified real estate holdings and are traded in secondary markets on an infrequent basis. While these securities are redeemable at least annually through tender offers made by respective issuers, the liquidation value of these securities may be below stated NAVs and also subject to restrictions as to the amount that can be redeemed at any single scheduled redemption. The Company anticipates that these securities will be redeemed by respective issuers on indeterminate future dates as a consequence of the ultimate liquidation strategies employed by the managers of these portfolios.

The Company also holds two limited partnership investments managed by an unrelated third party with an aggregate fair market value of $5.4 million and $4.1 million as of September 30, 2025 and December 31, 2024, respectively. The investments are funds comprised of marketable equity securities, primarily issued by community banks and financial technology companies. These investments are recorded at fair value at the end of each reporting period using Level 1 valuation techniques. Unrealized changes in the fair value of these investments are recorded as components of periodic net income in the period in which the changes occur.

Interest rate derivatives: The fair value of the interest rate derivatives, characterized as either fair value or cash flow hedges, are calculated based on a discounted cash flow model. All future floating rate cash flows are projected and both floating rate and fixed rate cash flows are discounted to the valuation date. The benchmark interest rate curve utilized for projecting cash flows and applying appropriate discount rates is built by obtaining publicly available third party market quotes for various swap maturity terms.

Individually evaluated loans: Specifically-identified loans are those loans in which the Company has measured impairment based on the fair value of the loan's collateral or the discounted value of expected future cash flows. Fair value is generally determined based upon market value evaluations by third parties of the properties and/or estimates by management of working capital collateral or discounted cash flows based upon expected proceeds. These appraisals may include up to three approaches to value: the sales comparison approach, the income approach (for income-producing property), and the cost approach. Management modifies the appraised values, if needed, to take into account recent developments in the market or other factors, such as, changes in absorption rates or market conditions from the time of valuation and anticipated sales values considering management's plans for disposition. Such modifications to the appraised values could result in lower valuations of such collateral. Estimated costs to sell are based on current amounts of disposal costs for similar assets. These measurements are classified as Level 3 within the valuation hierarchy. Specifically-identified loans are subject to nonrecurring fair value adjustment upon initial recognition or subsequent impairment. A portion of the allowance for credit losses is allocated to specifically-identified loans if the value of such loans is deemed to be less than the unpaid balance.

The following tables summarize assets measured at fair value on a recurring basis as of the indicated dates, segregated by the level of valuation inputs within the hierarchy utilized to measure fair value:

	September 30, 2025			
(In thousands)	Level 1	Level 2	Level 3	Total Fair Value
Available-for-Sale Portfolio				
Debt investment securities:				
US Treasury, agencies and GSEs	$ -	$ 66,226	$ -	$ 66,226
State and political subdivisions	-	32,947	-	32,947
Corporate	-	5,345	-	5,345
Corporate issuances measured at NAV	-	-	-	4,202
Asset backed securities	-	22,727	-	22,727
Residential mortgage-backed - US agency	-	51,803	-	51,803
Collateralized mortgage obligations - US agency	-	19,351	-	19,351
Collateralized mortgage obligations - Private label	-	91,650	-	91,650
Total		290,049		294,251
Equity investment securities:				
Common stock - financial services industry	206	-	-	206
Total available-for-sale securities	$ 206	$ 290,049	$ -	$ 294,457
Marketable equity securities measured at NAV	$ -	$ -	$ -	$ 5,352
Interest rate swap derivative fair value hedges (unrealized gain carried as receivable from derivative counterparties)	$ -	$ 1,272	$ -	$ 1,272

(In thousands)	December 31, 2024 Level 1	Level 2	Level 3	Total Fair Value
Available-for-Sale Portfolio				
Debt investment securities:				
US Treasury, agencies and GSEs	$ -	$ 70,425	$ -	$ 70,425
State and political subdivisions	-	33,322	-	33,322
Corporate	-	6,636	-	6,636
Corporate issuances measured at NAV	-	-	-	4,245
Asset backed securities	-	18,487	-	18,487
Residential mortgage-backed - US agency	-	39,171	-	39,171
Collateralized mortgage obligations - US agency	-	13,530	-	13,530
Collateralized mortgage obligations - Private label	-	83,309	-	83,309
Total		264,880		269,125
Equity investment securities:				
Common stock - financial services industry	206	-	-	206
Total available-for-sale securities	$ 206	$ 264,880	$ -	$ 269,331
Marketable equity securities measured at NAV	$ -	$ -	$ -	$ 4,076
Interest rate swap derivative fair value hedges (unrealized gain carried as receivable from derivative counterparties)	$ -	$ 6,086	$ -	$ 6,086

Pathfinder Bank had the following assets measured at fair value on a nonrecurring basis as of September 30, 2025 and December 31, 2024:

(In thousands)	September 30, 2025 Level 1	Level 2	Level 3	Total Fair Value
Individually evaluated loans	$ -	$ -	$ 10,581	$ 10,581
Foreclosed real estate	-	-	137	137

(In thousands)	December 31, 2024 Level 1	Level 2	Level 3	Total Fair Value
Individually evaluated loans	$ -	$ -	$ 13,020	$ 13,020
Foreclosed real estate	-	-	-	-

The following tables presents additional quantitative information about assets measured at fair value on a nonrecurring basis and for which Level 3 inputs were used to determine fair value at the indicated dates.

	Quantitative Information about Level 3 Fair Value Measurements Valuation Techniques	Unobservable Input	Range (Weighted Avg.)
At September 30, 2025			
Individually evaluated loans	Appraisal of collateral	Discounted Cash Flow	13% - 53% (30%)
Foreclosed real estate	Appraisal of collateral	Costs to Sell	21% - 24% (22%)

	Quantitative Information about Level 3 Fair Value Measurements Valuation Techniques	Unobservable Input	Range (Weighted Avg.)
At December 31, 2024			
Individually evaluated loans	Appraisal of collateral	Discounted Cash Flow	12% - 70% (30%)
Foreclosed real estate	Appraisal of collateral	Costs to Sell	21% - 24% (22%)

There have been no transfers of assets into or out of any fair value measurement level during the three or nine months ended September 30, 2025 or 2024.

Required disclosures include fair value information of financial instruments, whether or not recognized in the consolidated statements of condition, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument.

The Company has various processes and controls in place to ensure that fair value is reasonably estimated. The Company performs due diligence procedures over third-party pricing service providers in order to support their use in the valuation process.

While the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Management uses its best judgment in estimating the fair value of the Company's financial instruments; however, there are inherent limitations in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts the Company could have realized in a sales transaction on the dates indicated. The estimated fair value amounts have been measured as of their respective period-ends, and have not been re-evaluated or updated for purposes of these financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each period-end.

Under FASB ASC Topic 820 for Fair Value Measurements and Disclosures, the financial assets and liabilities were valued at a price that represents the Company's exit price or the price at which these instruments would be sold or transferred.

The following information should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculation is only provided for a limited portion of the Company's assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Company's disclosures and those of other companies may not be meaningful. The Company, in estimating its fair value disclosures for financial instruments, used the following methods and assumptions:

Cash and cash equivalents – The carrying amounts of these assets approximate their fair value and are classified as Level 1.

Federal Home Loan Bank stock – The carrying amount of these assets approximates their fair value and are classified as Level 2.

Net loans – For variable-rate loans that re-price frequently, fair value is based on carrying amounts. The fair value of other loans (for example, fixed-rate commercial real estate loans, mortgage loans, and commercial and industrial loans) is estimated using discounted cash flow analysis, based on interest rates currently being offered in the market for loans with similar terms to borrowers of similar credit quality. Loan value estimates include judgments based on expected prepayment rates. The measurement of the fair value of loans, including individually evaluated loans, is classified within Level 3 of the fair value hierarchy.

Accrued interest receivable and payable – The carrying amount of these assets approximates their fair value and are classified as Level 1.

Deposits – The fair values disclosed for demand deposits (e.g., interest-bearing and noninterest-bearing checking, passbook savings and certain types of money management accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts) and are classified within Level 1 of the fair value hierarchy. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered in the market on certificates of deposits to a schedule of aggregated expected monthly maturities on time deposits. Measurements of the fair value of time deposits are classified within Level 2 of the fair value hierarchy.

Borrowings – Fixed/variable term "bullet" structures are valued using a replacement cost of funds approach. These borrowings are discounted to the FHLB-NY advance curve. Option structured borrowings' fair values are determined by the FHLB for borrowings that include a call or conversion option. If market pricing is not available from this source, current market indications from the FHLB-NY are obtained and the borrowings are discounted to the FHLB-NY advance curve less an appropriate spread to adjust for the option. These measurements are classified as Level 2 within the fair value hierarchy.

Subordinated debt – The Company secures quotes from its pricing service based on a discounted cash flow methodology or utilizes observations of recent highly-similar transactions which result in a Level 2 classification.

The carrying amounts and fair values of the Company's financial instruments as of the indicated dates are presented in the following table:

		September 30, 2025		December 31, 2024	
(In thousands)	Fair Value Hierarchy	Carrying Amounts	Estimated Fair Values	Carrying Amounts	Estimated Fair Values
Financial assets:					
Cash and cash equivalents	1	$ 40,572	$ 40,572	$ 31,572	$ 31,572
Investment securities - available-for-sale	2	290,049	290,049	264,880	264,880
Investment securities - available-for-sale	NAV	4,202	4,202	4,245	4,245
Investment securities - marketable equity	NAV	5,352	5,352	4,076	4,076
Investment securities - held-to-maturity	2	142,538	137,001	158,683	151,023
Federal Home Loan Bank stock	2	3,488	3,488	4,590	4,590
Net loans	3	879,866	837,121	901,743	852,743
Accrued interest receivable	1	6,498	6,498	6,881	6,881
Interest rate derivative fair value hedges receivable - AFS investments	2	1,159	1,159	3,199	3,199
Interest rate derivative fair value hedges receivable - loans	2	113	113	2,887	2,887
Financial liabilities:					
Demand Deposits, Savings, NOW and MMDA	1	$ 748,801	$ 748,801	$ 701,477	$ 701,477
Time Deposits	2	476,280	475,266	503,047	500,638
Borrowings	2	59,702	59,725	88,068	87,707
Subordinated debt	2	30,258	29,792	30,107	25,347
Accrued interest payable	1	1,134	1,134	546	546

Note 11: Interest Rate Derivatives

The Company is exposed to certain risks relate to both its business operations and changes in economic conditions. As part of managing interest rate risk, the Company periodically enters into standardized interest rate derivative contracts (designated as hedging agreements) to modify the repricing characteristics of certain portions of the Company's earning assets and interest-bearing liabilities portfolios. The Company designates interest rate hedging agreements utilized in the management of interest rate risk as either fair value hedges or cash flow hedges. Interest rate hedging agreements are recorded at fair value as other assets or liabilities. The Company had no material derivative contracts not designated as hedging agreements at September 30, 2025 or December 31, 2024.

As a result of interest rate fluctuations, fixed-rate interest-earning assets and interest-bearing liabilities will appreciate or depreciate in fair value. When effectively hedged, this fair value appreciation or depreciation will generally be offset by substantially identical changes in the fair value of derivative instruments that are linked to the hedged assets and liabilities.

This strategy is referred to as fair value hedging and the derivative instruments employed in this strategy are therefore designated as fair value hedges. In a fair value hedge, the fair value of the derivative (the interest rate hedging agreement) is recorded in the Company's consolidated balance sheet with the corresponding gain or loss recognized as an adjustment to the carrying balance of the hedged asset or liability. Changes in the correlation between the hedging instrument and the hedged asset or liability that give rise to differences between the changes in the fair value of the interest rate hedging agreements and the hedged items represents hedge ineffectiveness and are recorded as adjustments to the interest income or interest expense of the respective hedged instrument. In the case of pay-fixed or receive-fixed interest rate swap agreements, designated as fair value hedges, the periodic difference in the net cash flows due to (due from) the Company from (to) a counterparty are recorded in current period earnings as adjustments to the interest income or interest expense of the respective hedged asset or liability.

Cash flows related to floating rate assets and liabilities will fluctuate with changes in underlying rate indices. When effectively hedged, the increases or decreases in cash flows related to the floating-rate asset or liability will generally be offset by changes in cash flows of the derivative instruments designated as a hedge. This strategy is referred to as cash flow hedging and the derivative instruments employed in these strategies are therefore designated as cash flow hedges. In a cash flow hedge, the effective portion of the derivative's gain or loss is initially reported as a component of accumulated other comprehensive income and subsequently reclassified into earnings when the forecasted transaction affects earnings. In the case of pay-fixed or receive-fixed interest rate swap agreements, designated as cash flow hedges, the periodic difference in the net cash flows due to (due from) the Company from (to) a counterparty are recorded in current period earnings as adjustments to the interest income or interest expense of the respective hedged asset or liability.

Among the array of interest rate hedging contracts, potentially available to the Company, are interest rate swap and interest rate cap (or floor) contracts. The Company uses interest rate swaps, cap or floor contracts as part of its interest rate risk management strategy. Interest rate swaps involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed payments over the life of the agreements without the exchange of the underlying notional amount. An interest rate cap is a type of interest rate derivative in which the buyer receives payments at the end of each contractual period in which the index interest rate exceeds the contractually agreed upon strike price rate. The purchaser of a cap contract will continue to benefit from any rise in interest rates above the strike price. Similarly, an interest rate floor is a derivative contract in which the buyer receives payments at the end of each period in which the interest rate is below the agreed strike price. The purchaser of a floor contract will continue to benefit from any decrease in interest rates below the strike price. The Company had no interest rate cap or floor contracts in place at September 30, 2025 or December 31, 2024.

The Company records various hedges in the consolidated statements of condition at fair value. The Company's accounting treatment for these derivative instruments is based on the instrument's hedge designation determined at the inception of each derivative instrument's contractual term. The following tables show the Company's outstanding fair value hedges at September 30, 2025 and December 31, 2024:

(In thousands)	Carrying Amount of the Hedged Assets at September 30, 2025	Cumulative Amount of Fair Value Hedging Adjustment Subtracted/(Added) from Carrying Amount of the Hedged Assets at September 30, 2025	Hedge-Adjusted Carrying Amount of the Hedged Assets at December 31, 2024	Cumulative Amount of Fair Value Hedging Adjustment Subtracted from Carrying Amount of the Hedged Assets at December 31, 2024
Line item on the balance sheet in which the hedged item is included:				
Available-for-sale securities [1]	$ 70,695	$ 1,159	$ 76,303	$ 3,199
Loans receivable [2]	$ 125,185	$ 113	$ 133,765	$ 2,887

[1] The $70.7 million net carrying amount of hedged assets represents the hedge-adjusted amortized cost basis of specifically-identified municipal, private label and GSE-backed securities designated as the underlying assets for the hedging relationships. The notional amount of the designated hedges were $70.9 million and $73.9 million at September 30, 2025 and December 31, 2024, respectively. The fair value of the derivatives (an unrealized gain, receivable from derivative counterparties) recorded in other assets resulted in a net asset position of $1.2 million and $3.2 million at September 30, 2025 and December 31, 2024, respectively. The Company's participation in fair value hedging transactions increased investment security interest income by $879,000 and $1.8 million in the nine month periods ended September 30, 2025 and September 30, 2024, respectively.

(2)The $125.2 million net carrying amount of hedged assets represents the hedge-adjusted amortized cost of a designated pool of residential mortgages and the aggregate hedge-adjusted amortized cost of four specified purchased consumer loan pools. These pools of loans were designated as the underlying assets for the hedging relationships in which the hedged underlying asset's notional amounts were the amortized cost projected to be remaining at the end of the contractual term of the hedging instruments. The amount of the designated hedged items were $120.7 million and $128.9 million at September 30, 2025 and December 31, 2024, respectively. At September 30, 2025, the fair value of the derivatives recorded in other assets (an unrealized gain, receivable from derivative counterparties) resulted in a net asset position of $113,000, recorded by the Company as a component of other assets. The Company’s participation in fair value hedging transactions increased interest income by $820,000 and $2.0 million, for the nine month period ended September 30, 2025 and September 30, 2024, respectively. Details of the two loan hedging strategies, in place at September 30, 2025 are presented below:

a. On April 7, 2023 the Bank entered into an amortizing swap transaction with an initial notional amount of $100.0 million whereby the Bank will receive the 3-month SOFR rate monthly, based on the notional amount of the swap contract at the beginning of each month until the swap transaction expires in 2035. The notional amount of the swap declines monthly according to a predetermined amortization schedule and was $70.7 million at September 30, 2025. The Bank will pay a fixed rate of 3.208% to the contract's counterparty throughout the life of the contract based on each month's beginning notional balance. The fair value of this swap contract was $793,000 at September 30, 2025.

b. On December 7, 2023, the Bank entered into five fixed-pay interest rate swap contracts with a total notional amount of $50.0 million, whereby the Bank will receive the 3-month rate SOFR monthly until the respective maturity dates of the contracts. The contracts expire in annual increments on December 1 of 2025 ($5.0 million, fixed rate of 4.463%), 2026 ($5.0 million, fixed rate of 4.136%), 2027 ($10.0 million, fixed rate of 3.973%), 2028 ($15.0 million, fixed rate of 3.887%), and 2029 ($15.0 million, fixed rate of 3.845%). The fair value of these swap contracts in aggregate was negative $681,000 (a payable to the swap counterparty) at September 30, 2025.

The Company's hedging contracts accounted for as fair value hedges, increased the yield on investment securities and loans by 0.14% and 0.12%, respectively, in the nine months ended September 30, 2025. The Company's hedging contracts accounted for as fair value hedges, increased the yield on investment securities and loans by 0.28% and 0.29%, respectively, in the nine months ended September 30, 2024.

The following tables summarize the net effects of the Company's fair value and cash flow hedges for the nine months ended September 30, 2025 and September 30, 2024, respectively:

Fair Value Hedges
(In thousands)

	Nine Months Ended September 30, 2025			
Hedge Category	Average Notional Balance	Period Ending Notional Balance	Net Cash Received Recorded In Net Income	Fair Value Receivable at Period End
Investments	$ 76,778	$ 70,927	$ 879	$ 1,159
Loans	124,247	120,664	820	113
Total	$ 201,025	$ 191,591	$ 1,699	$ 1,272

	Nine Months Ended September 30, 2024			
Hedge Category	Average Notional Balance	Period Ending Notional Balance	Net Cash Received Recorded In Net Income	Fair Value Receivable (Payable) at Period End
Investments	$ 80,779	$ 73,061	$ 1,771	$ 1,059
Loans	135,816	131,769	1,951	(875)
Total	$ 216,595	$ 204,830	$ 3,722	$ 184

Cash Flow Hedges
(In thousands)

	Nine Months Ended September 30, 2025			
Hedge Category	Average Notional Balance	Period Ending Notional Balance	Net Cash Received Recorded In Net Income	Fair Value Receivable at Period End
Borrowed Funds	$ -	$ -	$ 238	$ -

	Nine Months Ended September 30, 2024			
Hedge Category	Average Notional Balance	Period Ending Notional Balance	Net Cash Received Recorded In Net Income	Fair Value Receivable at Period End
Borrowed Funds	$ 15,852	$ -	$ 157	$ -

On April 17, 2024 the Bank elected to settle its previously established cash flow hedges designated against $40.0 million of floating-rate liabilities. This election was made in response to planned reductions in the Bank's future levels of floating rate brokered certificates of deposit. Due to increases in interest rates since the inception dates of the cash flow hedges, the Bank realized a cash basis gain of $766,000 on that date, recorded for financial statement purposes, as a deferred gain in other assets. $458,000 of this gain will be recognized, as a reduction of interest expense, in substantially equal monthly installments through April 30, 2026 and $308,000 of this gain will be recognized, as a reduction in interest expense, in substantially equal monthly installments through April 30, 2027, which were the respective original maturity dates of the settled hedging contracts.

The amounts of hedge ineffectiveness, recognized at September 30, 2025 and December 31, 2024 for cash flow hedges were not material to the Company's consolidated results of operations. A portion of, or the entire amount included in accumulated other comprehensive loss would be reclassified into current earnings should a portion of, or the entire hedge, no longer be considered effective. Management believes that the hedges will remain fully effective during the remaining term of the respective hedging contracts. The changes in the fair values of the interest rate hedging agreements primarily result from the effects of changing index interest rates and the reduction of the time each quarter between the measurement date and the contractual maturity date of the hedging instrument.

The Company manages its potential credit exposure on interest rate swap transactions by entering into bilateral credit support agreements with each contractual counterparty. These agreements require collateralization of credit exposures beyond specified minimum threshold amounts. Interest rate hedging agreements are entered into with counterparties that meet the Company's established credit standards and the agreements contain master netting, collateral and/or settlement provisions protecting the at-risk party. Based on adherence to the Company's credit standards and the presence of the netting, collateral or settlement provisions, the Company believes that the credit risk inherent in these contracts was not material at September 30, 2025.

Note 12: Accumulated Other Comprehensive (Loss) Income

Changes in the components of accumulated other comprehensive (loss) income ("AOCI"), net of tax, for the periods indicated are summarized in the tables below.

	For the three months ended September 30, 2025			
(In thousands)	Net Unrealized Loss on Retirement Plans	Unrealized Loss on Available-for-Sale Securities	Unrealized Gain on Derivatives and Hedging Activities	Total
Beginning balance	$ (1,941)	$ (7,192)	$ 275	$ (8,858)
Other comprehensive income (loss) before reclassifications	25	1,637	(61)	1,601
Amounts reclassified from AOCI	-	-	-	-
Ending balance	$ (1,916)	$ (5,555)	$ 214	$ (7,257)

	For the three months ended September 30, 2024			
(In thousands)	Net Unrealized Loss on Retirement Plans	Unrealized Loss on Available-for-Sale Securities	Unrealized Gain on Derivatives and Hedging Activities	Total
Beginning balance	$ (2,018)	$ (7,285)	$ 517	$ (8,786)
Other comprehensive income (loss) before reclassifications	27	2,103	(60)	2,070
Amounts reclassified from AOCI	-	-	-	-
Ending balance	$ (1,991)	$ (5,182)	$ 457	$ (6,716)

	For the nine months ended September 30, 2025			
(In thousands)	Net Unrealized Loss on Retirement Plans	Unrealized Loss on Available-for-Sale Securities	Unrealized Gain on Derivatives and Hedging Activities	Total
Beginning balance	$ (1,991)	$ (7,548)	$ 395	$ (9,144)
Other comprehensive income (loss) before reclassifications	75	1,989	(181)	1,883
Amounts reclassified from AOCI	-	4	-	4
Ending balance	$ (1,916)	$ (5,555)	$ 214	$ (7,257)

	For the nine months ended September 30, 2024			
(In thousands)	Net Unrealized Loss on Retirement Plans	Unrealized Loss on Available-for-Sale Securities	Unrealized Gain on Derivatives and Hedging Activities	Total
Beginning balance	$ (2,073)	$ (7,564)	$ 32	$ (9,605)
Other comprehensive income before reclassifications	82	2,280	425	2,787
Amounts reclassified from AOCI	-	102	-	102
Ending balance	$ (1,991)	$ (5,182)	$ 457	$ (6,716)

The following table presents the amounts reclassified out of each component of AOCI for the indicated periods:

(In thousands)		Amount Reclassified from AOCI (1) (Unaudited) For the three months ended		Amount Reclassified from AOCI (1) (Unaudited) For the nine months ended	
Details about AOCI [1] components	Affected Line Item in the Statement of Income	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
Retirement plan items					
Retirement plan net losses recognized in plan expenses [2]	Salaries and employee benefits	$ (35)	$ (37)	$ (102)	$ (110)
Tax effect	Provision for income taxes	10	10	27	28
	Net Income	$ (25)	$ (27)	$ (75)	$ (82)
Available-for-sale securities					
Realized losses on sale of securities	Net realized gains (losses) on sales and redemptions of investment securities	$ -	$ -	$ (5)	$ (139)
Tax effect	Provision for income taxes	-	-	1	37
	Net Income	$ -	$ -	$ (4)	$ (102)

[1] Amounts in parentheses indicates debits in net income.

[2] These items are included in net periodic pension cost. See Note 5 for additional information.

Note 13: Noninterest Income

The Company has included the following table regarding the Company's noninterest income for the periods presented.

(In thousands)	For the three months ended September 30, 2025	For the three months ended September 30, 2024	For the nine months ended September 30, 2025	For the nine months ended September 30, 2024
Service charges on deposit accounts				
Insufficient funds fees	$ 235	$ 221	$ 657	$ 594
Deposit related fees	146	150	438	373
ATM fees	23	21	63	64
Total service charges on deposit accounts	404	392	1,158	1,031
Fee Income				
Insurance agency revenue	-	367	-	1,024
Investment services revenue	-	112	138	369
ATM fees surcharge	69	66	208	174
Banking house rents collected	109	40	262	149
Total fee income	178	585	608	1,716
Card income				
Debit card interchange fees	217	300	398	610
Merchant card fees	20	19	46	45
Total card income	237	319	444	655
Mortgage fee income and realized gains on sales of loans and foreclosed real estate				
Loan servicing fees	113	79	311	279
Net gains on sales of loans and foreclosed real estate	121	90	269	148
Total mortgage fee income and realized gains on sale of loans and foreclosed real estate	234	169	580	427
Subtotal	1,053	1,465	2,790	3,829
Earnings and gains on bank owned life insurance	286	361	604	685
Net realized losses on sales and redemptions of investment securities	(12)	(188)	(20)	(320)
Net unrealized gains on marketable equity securities	145	62	783	31
Fair value adjustment to loans held-for-sale	-	-	(3,064)	-
Loss on sale of premises and equipment	-	(13)	-	(13)
Non-recurring gain on lease renegotiations	-	-	-	245
Other miscellaneous income	31	20	89	198
Total noninterest income	$ 1,503	$ 1,707	$ 1,182	$ 4,655

The following is a discussion of key revenues within the scope of ASC 606 guidance:

- *Service charges on deposit accounts* – Revenue is earned through insufficient funds fees, customer initiated activities or passage of time for deposit related fees, and ATM service fees. Transaction-based fees are recognized at the time the transaction is executed, which is the same time the Company's performance obligation is satisfied. Account maintenance fees are earned over the course of the month as the monthly maintenance performance obligation to the customer is satisfied.
- *Fee income* – Revenue is earned through commissions on insurance and securities sales, ATM surcharge fees, and banking house rents collected. The Company earns investment advisory fee income by providing investment management services to customers under investment management contracts. As the direction of investment management accounts is provided over time, the performance obligation to investment management customers is satisfied over time, and therefore, revenue is recognized over time.
- *Card income* – Card income consists of interchange fees from consumer debit card networks and other related services. Interchange rates are set by the card networks. Interchange fees are based on purchase volumes and other factors and are recognized as transactions occur.
- *Mortgage fee income and realized gain on sale of loans and foreclosed real estate* – Revenue from mortgage fee income and realized gain on sale of loans and foreclosed real estate is earned through the origination of residential and commercial mortgage loans, sales of one-to-four family residential mortgage loans, sales of government guarantees portions of Small Business Administration loans ("SBA loans"), and sales of foreclosed real estate, and is earned as the transaction occurs.

Note 14: Leases

The Company has operating and finance leases for certain banking offices and land under noncancelable agreements. Our leases have remaining lease terms that vary from less than 2 years up to 28 years, some of which include options to extend the leases for various renewal periods. All options to renew are included in the current lease term when we believe it is reasonably certain that the renewal options will be exercised.

The components of lease expense are as follows:

(In thousands)	For the three months ended September 30, 2025	For the three months ended September 30, 2024	For the nine months ended September 30, 2025	For the nine months ended September 30, 2024
Operating lease cost	$ 39	$ 49	$ 130	$ 148
Finance lease cost	431	186	1,291	583

Supplemental cash flow information related to leases was as follows:

(In thousands)	For the three months ended September 30, 2025	For the three months ended September 30, 2024	For the nine months ended September 30, 2025	For the nine months ended September 30, 2024
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	$ 35	$ 46	$ 119	$ 137
Operating cash flows from finance leases	431	186	1,291	583
Financing cash flows from finance leases	109	92	331	156

Supplemental balance sheet information related to leases was as follows:

(In thousands, except lease term and discount rate)	As of September 30, 2025	As of December 31, 2024
Operating Leases:		
Operating lease right-of-use assets	$ 1,124	$ 1,391
Operating lease liabilities	1,326	1,591
Finance Leases:		
Finance lease right-of-use assets	$ 16,082	$ 16,676
Finance lease liabilities	16,479	16,745
Weighted Average Remaining Lease Term:		
Operating leases	18.13 years	17.08 years
Finance leases	21.52 years	22.01 years
Weighted Average Discount Rate:		
Operating leases	4.01%	3.90%
Finance leases	6.02%	6.01%

Maturities of lease liabilities are as follows:

Twelve Months Ending September 30, (In thousands)	Operating Leases	Finance Leases
2026	$ 90	$ 371
2027	91	392
2028	83	412
2029	89	438
2030	70	463
Thereafter	903	14,403
Total future maturities of lease liabilities	$ 1,326	$ 16,479

The Company owns certain properties that it leases to unaffiliated third parties at market rates. Lease rental income was $109,000 and $40,000 for the three months ended September 30, 2025 and 2024, respectively. Lease rental income was $262,000 and $148,000 for the nine months ended September 30, 2025 and 2024, respectively. All rental agreements with lessees are accounted for as operating leases.

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations (Unaudited)

General

The Company is a Maryland corporation headquartered in Oswego, New York. The Company is 100% owned by public shareholders. The primary business of the Company is its investment in Pathfinder Bank (the "Bank"), a New York State chartered commercial bank, which is 100% owned by the Company. The Bank has two wholly owned operating subsidiaries, Pathfinder Risk Management Company, Inc. ("PRMC") and Whispering Oaks Development Corp. All significant inter-company accounts and activity have been eliminated in consolidation.

The Bank owns 100% of Pathfinder Risk Management Company, Inc., ("PRMC") which was established to record the 51% controlling interest upon the December 2013 purchase of FitzGibbons Agency, LLC (the "Agency"), an Oswego County property, casualty and life insurance brokerage business. The Company completed the sale of its majority membership interest in the Agency to Marshall & Sterling Enterprises, Inc. in October 2024.

Although the Company previously owned, through its wholly owned subsidiary PRMC, 51% of the membership interest in the Agency until its October 2024 sale, the Company is required to consolidate 100% of the Agency within the consolidated financial statements. The 49% of the Agency, which the Company did not own, is accounted for separately as noncontrolling interests within the consolidated financial statements.

At September 30, 2025, the Company and subsidiaries had total consolidated assets of $1.47 billion, total consolidated liabilities of $1.35 billion and shareholders' equity of $126.3 million.

The following discussion reviews the Company's financial condition at September 30, 2025 and the results of operations for the three and nine month periods ended September 30, 2025 and 2024. Operating results for the three and nine months ended September 30, 2025 are not necessarily indicative of the results that may be expected for the year ending December 31, 2025 or any other period.

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 included in the 2024 Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 31, 2025 ("the consolidated annual financial statements") as of December 31, 2024 and 2023 and for the two years then ended. Therefore, only material changes in financial condition and results of operations are discussed in the remainder of Item 2.

Statement Regarding Forward-Looking Statements

This report includes forward-looking statements within the meaning of Sections 27A of the Securities Act of 1933, as amended, and 21E of the Securities Exchange Act of 1934, as amended, that involve inherent risks and uncertainties. These forward-looking statements concern the financial condition, results of operations, plans, objectives, future performance and business of Pathfinder Bancorp, Inc. and its subsidiaries, including statements preceded by, followed by or that include words or phrases such as "believes," "expects," "anticipates," "plans," "trend," "objective," "continue," "remain," "pattern" or similar expressions or future or conditional verbs such as "will," "would," "should," "could," "might," "can," "may" or similar expressions. There are a number of important factors that could cause future results to differ materially from historical performance and these forward-looking statements. Factors that might cause such a difference include, but are not limited to: (1) general economic conditions may be less favorable than expected; (2) competitive pressures among depository institutions may increase significantly; (3) changes in the interest rate environment may reduce interest margins; (4) loan origination and sale volumes, charge-offs and credit loss provisions may vary substantially from period to period; (5) the impact of a pandemic or other health crises and the government's response to such pandemic or crises on our operations as well as those of our customers and on the economy generally and in our market area specifically; (6) political developments such as the U.S. Government shutdown, wars or other hostilities may disrupt or increase volatility in securities markets or other economic conditions; (7) legislative or regulatory changes or actions may adversely affect the businesses in which Pathfinder Bancorp, Inc. is engaged; (8) changes and trends in the securities markets may adversely impact Pathfinder Bancorp, Inc.; (9) a delayed or incomplete resolution of regulatory issues could adversely impact our planning;

(10) difficulties in integrating any businesses that we may acquire, including our recently completed acquisition of the East Syracuse branch of Berkshire Bank, which may increase our expenses and delay the achievement of any benefits that we may expect from such acquisitions; (11) the impact of reputation risk created by the developments discussed below in Recent Events on such matters as business generation and retention, funding and liquidity could be significant; (12) our ability to prevent or mitigate fraudulent activity and cybersecurity threats; and (13) the outcome of any future regulatory and legal investigations and proceedings may not be anticipated.

Because of these and other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements. Except as required by law, we disclaim any obligation to revise or update any forward-looking statements contained in this Quarterly Report on Form 10-Q to reflect future events or developments.

Application of Critical Accounting Estimates

The Company's consolidated quarterly 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 consolidated quarterly 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 accounting 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 unaffiliated 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 annual audited consolidated financial statements. These policies, along with the disclosures presented in the other financial statement notes and in this discussion, provide information on how significant assets and liabilities are valued in the consolidated quarterly 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 allowance for credit losses, deferred income taxes, pension obligations, the evaluation of investment securities for credit losses, the estimation of fair values for accounting and disclosure purposes, and the evaluation of goodwill for impairment to be the accounting areas that require the most subjective and complex judgments. These areas could be the most subject to revision as new information becomes available.

The ACL represents management's estimate of lifetime credit losses inherent in the loan portfolio. Determining the amount of the allowance for credit losses is considered a critical accounting estimate because it requires significant judgment on the use of estimates related to the amount and timing of expected future cash flows on individually evaluated loans, estimated losses on pools of homogeneous loans based on historical loss experience, and environmental factors, all of which may be susceptible to significant change. The Company establishes a specific allowance for all commercial loans in excess of the total related credit threshold of $100,000 and single borrower residential mortgage loans in excess of the total related credit threshold of $300,000 identified as being individually evaluated which are on nonaccrual and have been risk rated under the Company’s risk rating system as substandard, doubtful, or loss. In addition, an accruing substandard loan could be identified as being individually evaluated.

The measurement of individually evaluated loans is measured by determining the present value of expected future cash flows or, for collateral-dependent loans, the fair value of the collateral adjusted for market conditions and selling expenses as compared to the loan carrying value. For all other loans and leases, the Company uses the general allocation methodology that establishes an allowance to estimate the lifetime incurred loss for each risk-rating category. The measurement of individually evaluated loans is generally based upon the present value of future cash flows discounted at the historical effective interest rate, except that all collateral-dependent loans are measured based on the fair value of the collateral, less costs to sell. At September 30, 2025, the Bank’s position in individually evaluated loans consisted of 49 loans totaling $32.1

million. Of these loans, 13 loans, totaling $847,000, were valued using the present value of future cash flows method; and 36 loans, totaling $31.2 million, were valued based on a collateral analysis. For all other loans, the Company uses the general allocation methodology that establishes an allowance to estimate the lifetime incurred loss for each risk-rating category.

In estimating the ACL on loans, management considers the sensitivity of the model and significant judgments and assumptions that could result in an amount that is materially different from management's estimate. At September 30, 2025, the Bank held $543.7 million in commercial real estate and commercial & industrial loans (collectively, commercial loans) representing 60.5% of the Bank's entire loan portfolio. The Bank allocated $12.5 million to the ACL for these loans, including $1.6 million derived from the use of qualitative factors in the calculation. Given the concentration of ACL allocation to the total commercial loan portfolio and the significant judgments made by management in deriving the qualitative loss factors, management considers the impact that changes in judgments could have on the ACL. The ACL could increase (or decrease) by approximately $400,000, assuming a 25% negative (or positive) change within the group of qualitative factors used to determine the ACL for commercial loans. The sensitivity and related range of impacts for various judgments on the ACL is a hypothetical analysis and is used to determine management's judgments or assumptions of qualitative loss factors that were utilized at September 30, 2025 in the final recorded estimation of the ACL on loans recognized on the Statements of Financial Condition.

Deferred income tax assets and liabilities are determined using the liability method. Under this method, the net deferred tax asset or liability is recognized for the future tax consequences. This is attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases as well as net operating and capital loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income tax expense in the period that includes the enactment date. If current available evidence about the future raises doubt about the likelihood of a deferred tax asset being realized, a valuation allowance is established. The judgment about the level of future taxable income, including that which is considered capital, is inherently subjective and is reviewed on a continual basis as regulatory and business factors change.

The Company's effective tax rate typically differs from the 21% federal statutory tax rate due primarily to New York State income taxes, partially offset by tax-exempt income from specific types of investment securities and loans, bank owned life insurance, and to a much lesser degree, the utilization of low income housing tax credits. In addition, the tax effects of certain incentive stock option activity may reduce the Company's effective tax rate on a sporadic basis.

We maintain a noncontributory defined benefit pension plan covering a portion of employees. The plan provides defined benefits based on years of service and final average salary. On May 14, 2012, we informed our employees of our decision to freeze participation and benefit accruals under the plan, primarily to reduce some of the volatility in earnings that can accompany the maintenance of a defined benefit plan. Pension and post-retirement benefit plan liabilities and expenses are based upon actuarial assumptions of future events; including fair value of plan assets, interest rates, and the length of time the Company will have to provide those benefits. The assumptions used by management are discussed in Note 14 to the consolidated annual financial statements.

When the fair value of a security categorized as available-for-sale ("AFS") or held-to-maturity ("HTM") is less than its amortized cost basis, an assessment is made as to whether or not credit loss is present. Management makes a quantitative determination of potential credit loss for all HTM securities even if the risk of credit loss is considered remote and uses a best estimate threshold for securities categorized as AFS. The Company considers numerous factors when determining whether a potential credit loss exists. The principal factors considered are (1) the financial condition of the issue and (guarantor, if any) and adverse conditions specifically related to the security, industry or geographic area, (2) failure of the issuer of the security to make scheduled interest or principal payments, (3) any changes to the rating of the security by a nationally recognized statistical rating organization ("NRSRO"), and (4) the presence of contractual credit enhancements, if any, including the guarantee of the federal government or any of its agencies.

The Company carries all of its AFS investments at fair value with any unrealized gains or losses reported, net of tax, as an adjustment to shareholders' equity and included in accumulated other comprehensive income (loss), except for the credit-related portion of debt securities' credit losses securities which are charged to earnings. The Company's ability to fully realize the value of its investments in various securities, including corporate debt securities, is dependent on the underlying creditworthiness of the issuing organization. In evaluating the debt securities portfolio, for both AFS and HTM securities for credit losses, management considers (1) if we intend to sell the security; (2) if it is “more likely than not” we will be required to sell the security before recovery of its amortized cost basis; or (3) if the present value of expected cash flows is insufficient to recover the entire amortized cost basis.

The estimation of fair value is significant to several of our assets; including AFS and marketable equity investment securities, intangible assets, foreclosed real estate, and the value of loan collateral when valuing loans. These are all recorded at either fair value, or the lower of cost or fair value. Fair values are determined based on third party sources, when available. Furthermore, accounting principles generally accepted in the United States require disclosure of the fair value of financial instruments as a part of the notes to the annual audited consolidated financial statements. Fair values on our AFS securities may be influenced by a number of factors including market interest rates, prepayment speeds, discount rates, and the shape of yield curves.

Fair values for AFS securities are obtained from unaffiliated third party pricing services. Where available, fair values are based on quoted prices on a nationally recognized securities exchange. If quoted prices are not available, fair values are measured using quoted market prices for similar benchmark securities. Management made no adjustments to the fair value quotes that were provided by the pricing sources. Fair values for marketable equity securities are based on quoted prices on a nationally recognized securities exchange for similar benchmark securities. The fair values of foreclosed real estate and the underlying collateral value of individually evaluated loans are typically determined based on evaluations by third parties, less estimated costs to sell. When necessary, appraisals are updated to reflect changes in market conditions.

Management performs an annual evaluation of our goodwill for possible impairment at each of our reporting units. Management has determined that the carrying value of goodwill was not impaired as of September 30, 2025. Management will continuously evaluate all relevant economic and operational factors potentially affecting the Bank or the fair value of its assets, including goodwill. Should future economic consequences require a significant and sustained change in the operations of the Bank, re-evaluations of the Bank’s goodwill valuation will be conducted on a more frequent basis.

Recent Events

On September 29, 2025, the Company announced that its Board of Directors declared a cash dividend of $0.10 per share on the Company's voting common and non-voting common stock, and a cash dividend of $0.10 per notional share for the issued warrant relating to the fiscal quarter ended September 30, 2025. The dividends were payable to all shareholders of record on October 17, 2025 and were paid on November 7, 2025.

In July 2025, the Company completed the sale of nonperforming and classified loans associated with a local commercial relationship dating back to 2013. The loans, which had an original principal balance of $9.3 million and a June 30, 2025 principal balance of $6.3 million, were reclassified to held-for-sale status in June 2025 and subsequently sold to a financial buyer in July 2025 for $3.2 million. The related fair value impact was reflected in the second quarter of 2025 as a $3.1 million lower of cost or market ("LOCOM") fair value adjustment to loans held-for-sale.

Summary of 2025 Third Quarter Results

The Company recorded net income of $626,000 for the three months ended September 30, 2025, compared to a net loss of $4.6 million for the three months ended September 30, 2024. Third quarter 2025 results included a $3.5 million provision for credit losses due to $670,000 of net charge offs during the period. Third quarter 2024 results included a $9.0 million provision for credit losses due to $8.7 million of net charge offs resulting from a comprehensive loan portfolio review and $1.6 million in one-time transaction-related expenses for the July 2024 East Syracuse branch acquisition.

Net interest income before the provision for credit losses decreased $132,000, or 1.1%, to $11.6 million for the three months ended September 30, 2025, as compared to the same three month period in 2024. This decrease was predominately the result of a decrease in interest and dividend income of $1.5 million, partially offset by a decrease in interest expense of $1.3 million.

Interest and dividend income declined $1.5 million to $19.7 million for the third quarter of 2025, primarily driven by a decline of $626,000 in interest income on loans as a result of a decrease of 22 basis points in the average yield on loans and lower average balances for loans. In addition, interest and dividend income included benefits of $200,000 in the third quarter of 2025 from loan prepayment penalty income and $887,000 in the third quarter of 2024 from a catch-up interest payment associated with purchased loan pool positions. Interest income on total investment securities decreased $476,000 as a result of the lower average yield in portfolio assets. Interest income on Fed funds sold and interest-earning deposits declined $361,000 due to decreases in both average balances and average yields as a result of the decrease in the federal funds rate.

The decrease in interest expense of $1.3 million to $8.1 million for the third quarter of 2025, compared to the prior year quarter, was primarily attributed to average cost decreases of 40 basis points for interest-bearing deposits, 18 basis points for subordinated debt, and 61 basis points for borrowings coupled with average balance decreases for time deposits and borrowings. The corresponding decreases in interest-bearing deposits and borrowings expense for the current quarter as compared to the year-ago period were $676,000 and $645,000 respectively. These reductions reflect continued changes in the Bank's funding mix, including growing core deposits, as well as deliberate deposit pricing adjustments and significant reductions in borrowings.

Net interest margin was 3.34%, including 7 basis points attributed to prepayment penalty income in the third quarter of 2025, and 3.34% including 25 basis points from the catch-up interest payment in the third quarter of 2024. Excluding prepayment penalty and catch-up interest payment income, net interest margin reflected lower average deposit and borrowing costs that more than offset lower average yields on interest earning assets in the third quarter of 2025, compared to the same period one year ago.

The provision for credit losses was $3.5 million in the third quarter of 2025 compared to $9.0 million in the third quarter of 2024. The provision for credit losses for the third quarter of 2025 was due to an increase in credit loss reserves primarily associated with two local commercial relationships that moved to nonperforming status, in addition to $670,000 of net charge offs during the period. Net charge offs during the recent quarter represent 0.30% of average loans on an annualized basis, compared to $8.7 million in charge offs, or 3.82% of average loans on an annualized basis in the third quarter of 2024. See the "Provision for Credit Losses" and "Loan and Asset Quality and Allowance for Credit Losses" sections of this Management's Discussion and Analysis for further discussion.

Noninterest income totaled $1.5 million in the third quarter of 2025, compared to $1.7 million during the same period in 2024. Third quarter 2024 noninterest income included $367,000 in insurance revenue from the insurance agency business sold in October 2024.

Compared to the third quarter of 2024, noninterest income decreased by $204,000 in the third quarter of 2025. The decline reflects the impact of new BOLI policy purchases made during the current year and differences in net death benefits recorded in the third quarter of 2025 and the year-ago period of $32,000 and $175,000, respectively. In addition, third quarter 2025 noninterest income, compared to the year-ago period, included a $12,000 increase in service charges on deposit accounts and a decrease of $83,000 in debit card interchange fees. Compared to the year-ago period, third quarter 2025 noninterest income also reflected increases of $83,000 in net unrealized gains on marketable equity securities, $34,000 in loan servicing fees, and $31,000 in gains on sales of loans and foreclosed real estate, as well as a decrease of $176,000 in net realized losses on sales and redemptions of investment securities.

Noninterest expense totaled $8.9 million in the third quarter of 2025, decreasing from $10.3 million in the year-ago period. The decrease from the third quarter of 2024 was primarily due to $1.6 million in one-time transaction-related expenses for last year's East Syracuse branch acquisition, in addition to $308,000 in costs associated with the insurance agency business sold in October 2024.

Salaries and benefits were $5.0 million in the third quarter of 2025, increasing $46,000 from the third quarter of 2024. The increase from the year-ago period was primarily due to an increase in medical claims expected to be reimbursed by stop loss insurance.

Building and occupancy was $1.4 million in the third quarter of 2025, increasing $265,000 from the year-ago quarter. The increase from the third quarter of 2024 was primarily due to a $121,000 increase in building maintenance during the current quarter. Additionally, higher costs related to building and land leases, property taxes, and utilities of $54,000, $46,000, and $27,000, respectively, were primarily due to timing of ongoing facilities-related costs associated with operating the East Syracuse branch acquired in the third quarter of 2024.

Data processing expense was $641,000 in the third quarter of 2025, decreasing $31,000 from the year-ago period. The decrease from the third quarter of 2024 was driven by decreases of $78,000 in data processing supplies and $24,000 in ATM processing costs. These decreases were partially offset by third quarter year-over-year increases in recurring data processing costs amounting to $71,000, primarily due to software upgrades completed as part of the Company's ongoing technology modernization initiatives.

For the third quarter of 2025, annualized noninterest expense represented 2.40% of average assets in the third quarter of 2025, compared to 2.75% in the year-ago period. The efficiency ratio was 68.78%, for the third quarter of 2025, compared to 75.78% in the year-ago period. For the nine months ended September 30, 2025, annualized noninterest expense represented 2.30% of average assets in the first nine months of 2025, compared to 2.39% in the year-ago period. The efficiency ratio was 67.24%, for the nine months ended September 30, 2025, compared to 73.01% in the year-ago period. The efficiency ratio, which is not a financial metric under GAAP, is a measure that the Company believes is helpful to understanding its level of non-interest expense as a percentage of total revenue.

Results of Operations

Net Interest Income

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

The following tables set forth information concerning average interest-earning assets and interest-bearing liabilities and the average yields and rates thereon for the periods indicated. Interest income and resultant yield information in the tables have not been adjusted for tax equivalency. Averages are computed on the daily average balance for each month in the period divided by the number of days in the period. Nonaccrual loans have been included in interest-earning assets for purposes of these calculations.

	(Unaudited) For the three months ended September 30,					
	2025			2024		
(In thousands)	Average Balance	Interest	Average Yield / Cost	Average Balance	Interest	Average Yield / Cost
Interest-earning assets:						
Loans	$ 906,759	$ 13,799	6.09%	$ 914,467	$ 14,425	6.31%
Taxable investment securities	431,227	5,351	4.96%	415,751	5,813	5.59%
Tax-exempt investment securities	33,980	455	5.36%	30,382	469	6.17%
Fed funds sold and interest-earning deposits	16,866	131	3.11%	42,897	492	4.59%
Total interest-earning assets	1,388,832	19,736	5.68%	1,403,497	21,199	6.04%
Noninterest-earning assets:						
Other assets	114,837			103,856		
Allowance for credit losses	(15,595)			(16,537)		
Net unrealized losses on available-for-sale securities	(9,949)			(9,161)		
Total assets	$ 1,478,125			$ 1,481,655		
Interest-bearing liabilities:						
NOW accounts	$ 120,696	$ 308	1.02%	$ 102,868	$ 280	1.09%
Money management accounts	10,105	3	0.12%	11,828	3	0.10%
MMDA accounts	276,599	2,210	3.20%	227,247	2,009	3.54%
Savings and club accounts	127,696	83	0.26%	127,262	81	0.25%
Time deposits	490,735	4,353	3.55%	514,050	5,260	4.09%
Subordinated debt	30,225	486	6.43%	30,025	496	6.61%
Borrowings	73,556	693	3.77%	122,129	1,338	4.38%
Total interest-bearing liabilities	1,129,612	8,136	2.88%	1,135,409	9,467	3.34%
Noninterest-bearing liabilities:						
Demand deposits	192,982			195,765		
Other liabilities	29,320			24,855		
Total liabilities	1,351,914			1,356,029		
Shareholders' equity	126,211			125,626		
Total liabilities & shareholders' equity	$ 1,478,125			$ 1,481,655		
Net interest income		$ 11,600			$ 11,732	
Net interest rate spread			2.80%			2.70%
Net interest margin			3.34%			3.34%
Ratio of average interest-earning assets to average interest-bearing liabilities			122.95%			123.61%

(In thousands)	For the nine months ended September 30, 2025 Average Balance	Interest	Yield / Cost	2024 Average Balance	Interest	Yield / Cost
Interest-earning assets:						
Loans	$ 911,419	$ 40,577	5.94%	$ 898,361	$ 39,182	5.82%
Taxable investment securities	427,656	16,172	5.04%	427,311	17,463	5.45%
Tax-exempt investment securities	34,254	1,322	5.15%	29,499	1,475	6.67%
Fed funds sold and interest-earning deposits	13,306	288	2.89%	20,161	711	4.70%
Total interest-earning assets	1,386,635	58,359	5.61%	1,375,332	58,831	5.70%
Noninterest-earning assets:						
Other assets	116,001			99,200		
Allowance for credit losses	(16,777)			(16,511)		
Net unrealized losses on available-for-sale securities	(10,245)			(10,184)		
Total assets	$ 1,475,614			$ 1,447,837		
Interest-bearing liabilities:						
NOW accounts	$ 115,494	$ 962	1.11%	$ 100,922	$ 806	1.06%
Money management accounts	10,435	9	0.11%	11,782	10	0.11%
MMDA accounts	277,306	6,595	3.17%	217,580	5,944	3.64%
Savings and club accounts	129,059	246	0.25%	115,875	225	0.26%
Time deposits	493,033	13,408	3.63%	521,832	15,685	4.01%
Subordinated debt	30,174	1,444	6.38%	29,978	1,476	6.56%
Borrowings	68,656	1,870	3.63%	129,943	4,073	4.18%
Total interest-bearing liabilities	1,124,157	24,534	2.91%	1,127,912	28,219	3.34%
Noninterest-bearing liabilities:						
Demand deposits	197,053			177,202		
Other liabilities	29,436			19,382		
Total liabilities	1,350,646			1,324,496		
Shareholders' equity	124,968			123,341		
Total liabilities & shareholders' equity	$ 1,475,614			$ 1,447,837		
Net interest income		$ 33,825			$ 30,612	
Net interest rate spread			2.70%			2.36%
Net interest margin			3.25%			2.97%
Ratio of average interest-earning assets to average interest-bearing liabilities			123.35%			121.94%

Third quarter 2025 net interest income was $11.6 million, a decrease of 1.1% from the third quarter of 2024. This decrease was the result of a $1.5 million, or 6.9% decrease in interest and dividend income, partially offset by a decrease of $1.3 million, or 14.1%, in total interest expense.

The decrease in interest and dividend income of $1.5 million for the third quarter of 2025, compared to the prior year quarter, was the result of a decrease of $626,000 in interest income for loans, driven by lower average balances of loans and a decrease of 22 basis points for loans. In addition, interest and dividend income included benefits of $200,000 in the third quarter of 2025 from loan prepayment penalty income and $887,000 in third quarter of 2024 from a catch-up interest payment associated with purchased loan pool positions. The decrease in interest and dividend income was also driven by a decrease of $476,000 in total investments securities, as a result of the decline in average yield of such assets, and decreases of $361,000 in fed funds sold and interest-earning deposits, driven by lower average balances and lower average yields due to the decline in the fed funds rate.

The decrease in interest expense of $1.3 million for the third quarter of 2025, compared to the prior year quarter, was primarily attributed to average cost decreases of 40 basis points for interest-bearing deposits, 18 basis points for subordinated debt, and 61 basis points for borrowings coupled with average balance decreases for time deposits and borrowings. The corresponding decreases in interest-bearing deposits and borrowings expense for the current quarter as compared to the year-ago period were $676,000 and $645,000 respectively. These reductions reflect continued changes in the Bank’s funding mix, including growing core deposits, as well as deliberate deposit pricing adjustments and significant reductions in borrowings.

Net interest margin was 3.34%, including 7 basis points attributed to prepayment penalty income in the third quarter of 2025, and 3.34%, including 25 basis points from the catch-up interest payment in the third quarter of 2024. Excluding prepayment penalty and catch-up interest payment income, net interest margin reflected lower average deposit and borrowing costs that more than offset lower average yields on interest earning assets in the third quarter of 2025, compared to the same period one year ago.

For the nine months ended September 30, 2025, net interest income increased $3.2 million, or 10.5%, to $33.8 million compared to the same nine month period in 2024. The change from the prior nine month period was due to a decrease in interest expense of $3.7 million, partially offset by a decrease in interest and dividend income of $472,000.

The decrease in interest expense of $3.7 million for the nine months ended September 30, 2025, compared to the same nine month prior year period, was primarily attributed to average cost decreases of 36 basis points for interest-bearing deposits, 18 basis points for subordinated debt, and 55 basis points for borrowings coupled with average balance decreases for time deposits and borrowings. The corresponding decreases in interest-bearing deposits and borrowings expense for the current period as compared to the year-ago period were $1.5 million and $2.2 million respectively. These reductions reflect continued changes in the Bank’s funding mix, including growing core deposits, as well as deliberate deposit pricing adjustments and significant reductions in borrowings.

The decrease in interest and dividend income of $472,000 for the first nine months of 2025, compared to the prior year period, was primarily due to decreases in income from taxable investment securities, tax-exempt investment securities, and fed funds sold and interest-earning deposits of $1.3 million, $153,000, and $423,000, respectively, primarily as a result of the decrease in the average yield of such assets. These decreases were partially offset by a 12 basis points increase in the average yield on loans and a $13.1 million increase in the average balance of loans, resulting in a $1.4 million increase in interest income on loans. In addition, interest and dividend income included benefits of $607,000 in the first nine months of 2025 from 2024 interest recovered from loans removed from nonaccrual status and loan and investment prepayment penalty income and $887,000 in the first nine months of 2024 from the third quarter catch-up interest payment associated with purchased loan pool positions.

Net interest margin was 3.25%, including 6 basis points attributed to interest recovery and prepayment penalty income for the first nine months of 2025, and 2.97%, including 9 basis points from the catch-up interest payment for the same period of 2024. The increase reflected lower average deposit and borrowing costs and higher average loan yields in the nine months ended September 30, 2025 as compared to the same prior year period.

Rate/Volume Analysis

Net interest income can also be analyzed in terms of the impact of changing interest rates on interest-earning assets and interest-bearing liabilities and changes in the volume or amount of these assets and liabilities. The following table represents the extent to which changes in interest rates and changes in the volume of interest-earning assets and interest-bearing liabilities have affected the Company's interest income and interest expense during the periods indicated. Information is provided in each category with respect to: (i) changes attributable to changes in volume (change in volume multiplied by prior rate); (ii) changes attributable to changes in rate (changes in rate multiplied by prior volume); and (iii) total increase or decrease. Changes attributable to both rate and volume have been allocated ratably. Tax-exempt securities have not been adjusted for tax equivalency.

	Three months ended September 30, 2025 vs. 2024 Increase/(Decrease) Due to			Nine months ended September 30, 2025 vs. 2024 Increase/(Decrease) Due to		
Unaudited *(In thousands)*	**Volume**	**Rate**	**Total Increase (Decrease)**	**Volume**	**Rate**	**Total Increase (Decrease)**
Interest Income:						
Loans	$ (121)	$ (505)	$ (626)	$ 574	$ 821	$ 1,395
Taxable investment securities	210	(672)	(462)	14	(1,305)	(1,291)
Tax-exempt investment securities	52	(66)	(14)	215	(368)	(153)
Interest-earning deposits	(236)	(125)	(361)	(198)	(225)	(423)
Total interest income	(95)	(1,368)	(1,463)	605	(1,077)	(472)
Interest Expense:						
NOW accounts	46	(18)	28	120	36	156
Money management accounts	-	-	-	(1)	-	(1)
MMDA accounts	407	(206)	201	1,488	(837)	651
Savings and club accounts	-	2	2	25	(4)	21
Time deposits	(230)	(677)	(907)	(835)	(1,442)	(2,277)
Subordinated debt	3	(13)	(10)	10	(42)	(32)
Borrowings	(477)	(168)	(645)	(1,724)	(479)	(2,203)
Total interest expense	(251)	(1,080)	(1,331)	(917)	(2,768)	(3,685)
Net change in net interest income	$ 156	$ (288)	$ (132)	$ 1,522	$ 1,691	$ 3,213

Deposits

The Company's deposit base is drawn from eleven full-service branches and one motor bank in its market area. The deposit base consists of demand deposits, money management and money market deposit accounts, savings, and time deposits. Total deposits increased by $20.6 million, or 1.7% from December 31, 2024. The increase in deposits during the nine months ended September 30, 2025, reflected the Bank's increased market penetration among both non-business and business customers.

At September 30, 2025, 78.4% of the Company's deposit base of $1.23 billion consisted of core deposits. Core deposits, which exclude brokered deposits and certificates of deposit of $250,000 or more, are considered to be more stable and generally provide the Company with a lower cost of funds than time deposits of $250,000 or more. The Company will continue to emphasize retail and business core deposits in the future by providing depositors with a full range of deposit product offerings and will maintain its recent focus on deposit gathering within the Syracuse market.

A summary of deposits by category at September 30, 2025 and December 31, 2024 is as follows:

(In thousands)	September 30, 2025	December 31, 2024
Savings accounts	$ 123,958	$ 128,753
Time accounts	333,211	360,716
Time accounts in excess of $250,000	143,026	142,473
Money management accounts	9,539	11,583
MMDA accounts	298,653	239,016
Demand deposit interest-bearing	115,274	101,080
Demand deposit noninterest-bearing	196,299	213,719
Mortgage escrow funds	5,121	7,184
Total Deposits	$ 1,225,081	$ 1,204,524

In addition to deposits obtained from its business operations within its target market areas, the Bank also obtains brokered deposits through various programs administered by IntraFi Network and through other unaffiliated third-party financial institutions.

The following table sets forth our nonbrokered and brokered deposit activities at the dates indicated:

	September 30, 2025			December 31, 2024		
(In thousands)	Nonbrokered	Brokered	Total	Nonbrokered	Brokered	Total
Savings accounts	$ 123,958	$ -	$ 123,958	$ 128,753	$ -	$ 128,753
Time accounts	216,273	116,938	333,211	226,445	134,271	360,716
Time accounts of $250,000 or more	143,026	-	143,026	142,473	-	142,473
Money management accounts	9,539	-	9,539	11,583	-	11,583
MMDA accounts	298,653	-	298,653	239,016	-	239,016
Demand deposit interest-bearing	110,274	5,000	115,274	99,080	2,000	101,080
Demand deposit noninterest-bearing	196,299	-	196,299	213,719	-	213,719
Mortgage escrow funds	5,121	-	5,121	7,184	-	7,184
Total Deposits	$ 1,103,143	$ 121,938	$ 1,225,081	$ 1,068,253	$ 136,271	$ 1,204,524

Provision for Credit Losses

We establish a provision for credit losses, which is charged to operations, at a level management believes is appropriate to absorb lifetime credit losses in the loan portfolio. In evaluating the level of the allowance for credit losses, management considers historical loss experience, the types of loans and the amount of loans in the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available or as future events change. The provision for credit losses represents management's estimate of the amount necessary to maintain the allowance for credit losses at an adequate level.

The Company recorded $3.5 million in provision for credit losses for the three month period ended September 30, 2025, as compared to $9.0 million for the three month period ended September 30, 2024. The provisioning in the third quarter of 2025 and 2024 reflects management's determination of the appropriate level of additions to reserves, the composition of the loan portfolio, changes in quantifiable econometric data statistically correlated to historical charge-off rates, subjective qualitative assessments of changes in a broad array of factors including changes to underwriting criteria, loan staffing and local market conditions, and changes in the levels of delinquent and nonaccrual loans. This represents a $5.5 million decrease in provision for credit losses in the third quarter of 2025, as compared to the same period in 2024. This decrease can be primarily attributed to lower net charge offs of $670,000 in the quarter, compared to $8.7 million from a year ago period. The Bank's credit sensitive portfolios continue to be carefully monitored, and the Bank will consistently apply its loan classification and reserve building methodologies to the analysis of these portfolios. In addition, the Company continued to undertake proactive measures in the third quarter of 2025 to mitigate credit risk and enhance asset quality metrics for the long term, including the initiation of a comprehensive loan portfolio review in September 2025, encompassing performing and nonperforming loans of $500,000 or more, representing approximately 90% of all outstanding loans. This review is expected to be completed by the end of 2025. Please refer to the asset quality section below for a further discussion of asset quality as it relates to the allowance for credit losses.

For the nine months ended September 30, 2025 and 2024, the Company recorded a provision for credit losses of $5.1 million and $10.0 million, respectively. The lower provision for credit losses in the first nine months of 2025 as compared with the similar 2024 period reflects lower net charge offs of $3.6 million for the nine months ended September 30, 2025, compared to $8.8 million for the nine months ended September 30, 2024.

The Company measures delinquency based on the amount of past due loans (defined as loans equal to or greater than 30 days past due) as a percentage of total loans. The ratio of delinquent loans to total loans was 4.1% and 3.8% at September 30, 2025, and December 31, 2024, respectively. Delinquent loans (numerator) increased $1.8 million from December 31, 2024 to September 30, 2025. Total loan balances (denominator) decreased $20.7 million from December 31, 2024 to September 30, 2025. The increase in delinquent loans from December 31, 2024 to September 30, 2025 was driven by loans delinquent 30-59 days and loans delinquent 90 days and over, which increased by $761,000 and $1.2 million, respectively, partially offset by a decrease of $189,000 in loans delinquent 60-89 days.

Noninterest Income

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

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

Unaudited	For the three months ended				For the nine months ended			
(In thousands)	September 30, 2025	September 30, 2024	Change		September 30, 2025	September 30, 2024	Change	
Service charges on deposit accounts	$ 404	$ 392	$ 12	3.1%	$ 1,158	$ 1,031	$ 127	12.3%
Earnings and gain on bank owned life insurance	286	361	(75)	-20.8%	604	685	(81)	-11.8%
Loan servicing fees	113	79	34	43.0%	311	279	32	11.5%
Debit card interchange fees	217	300	(83)	-27.7%	398	610	(212)	-34.8%
Insurance agency revenue	-	367	(367)	-100.0%	-	1,024	(1,024)	-100.0%
Other charges, commissions and fees	229	257	(28)	-10.9%	743	935	(192)	-20.5%
Noninterest income before gains and losses	1,249	1,756	(507)	-28.9%	3,214	4,564	(1,350)	-29.6%
Losses on sales and redemptions of investment securities	(12)	(188)	176	93.6%	(20)	(320)	300	93.8%
Gains on sales of loans and foreclosed real estate	121	90	31	34.4%	269	148	121	81.8%
Fair value adjustment to loans held-for-sale	-	-	-	0.0%	(3,064)	-	(3,064)	N/M
Loss on sale of premises and equipment	-	(13)	13	100.0%	-	(13)	13	100.0%
Non-recurring gain on lease renegotiations	-	-	-	0.0%	-	245	(245)	-100.0%
Net unrealized gains on marketable equity securities	145	62	83	133.9%	783	31	752	2425.8%
Total noninterest income	$ 1,503	$ 1,707	$ (204)	-12.0%	$ 1,182	$ 4,655	$ (3,473)	-74.6%

N/M - Not meaningful

Noninterest income for the third quarter of 2025 totaled $1.5 million, a decrease of $204,000 or 12.0% from the third quarter of 2024. The decline primarily reflects no insurance agency revenue contributions for the current quarter as a result of the sale of the Bank's insurance agency business, which was sold in October 2024. In addition, the decline in noninterest income was driven by lower earnings and gains on BOLI and debit card interchange fees, partially offset by lower losses on sales and redemptions of investment securities. The change in earnings and gains on BOLI between the third quarter of 2025 and the year-ago period reflects the impact of new BOLI policy purchases made during the current year and differences in net death benefits recorded during the two periods of $32,000 and $175,000, respectively.

For the nine months ended September 30, 2025, the Company reported $1.2 million in noninterest income, decreasing $3.5 million from $4.7 million in the same period of 2024. The year-over-year decrease reflects a $1.0 million decline in insurance agency revenue that is associated with the sale of the Bank's insurance agency business in October 2024 and lower noninterest income of $3.1 million due to the aforementioned LOCOM HFS adjustment associated with the loan sale in July 2025. These decreases in noninterest income for the nine months ended September 30, 2025 were partially offset by increases of $752,000 in net unrealized gains on marketable equity securities.

Noninterest Expense

The following table sets forth certain information on noninterest expense for the periods indicated:

Unaudited	For the three months ended				For the nine months ended			
(In thousands)	September 30, 2025	September 30, 2024	Change		September 30, 2025	September 30, 2024	Change	
Salaries and employee benefits	$ 5,005	$ 4,959	$ 46	0.9%	$ 13,980	$ 13,687	$ 293	2.1%
Building and occupancy	1,399	1,134	265	23.4%	3,976	2,864	1,112	38.8%
Data processing	641	672	(31)	-4.6%	1,974	1,750	224	12.8%
Professional and other services	709	1,820	(1,111)	-61.0%	2,093	3,078	(985)	-32.0%
Advertising	86	165	(79)	-47.9%	304	386	(82)	-21.2%
FDIC assessments	171	228	(57)	-25.0%	400	685	(285)	-41.6%
Audits and exams	132	123	9	7.3%	306	416	(110)	-26.4%
Amortization expense	156	129	27	20.9%	470	137	333	243.1%
Insurance agency expense	-	308	(308)	-100.0%	-	825	(825)	-100.0%
Community service activities	10	20	(10)	-50.0%	49	111	(62)	-55.9%
Foreclosed real estate expenses	26	27	(1)	-3.7%	76	82	(6)	-7.3%
Other expenses	602	674	(72)	-10.7%	1,803	1,852	(49)	-2.6%
Total noninterest expenses	$ 8,937	$ 10,259	$ (1,322)	-12.9%	$ 25,431	$ 25,873	$ (442)	-1.7%

Noninterest expense totaled $8.9 million in the third quarter of 2025, a decrease of $1.3 million or 12.9% from the year-ago quarter. The decrease was primarily due to $1.6 million in one-time transaction-related expenses from the prior year East Syracuse branch acquisition, in addition to $308,000 in costs associated with the insurance agency business sold in October 2024.

Salaries and benefits were $5.0 million in the third quarter of 2025, an increase of $46,000 from the year-ago quarter, primarily due to increased medical claims which are expected to be reimbursed by stop loss insurance. Building and occupancy was $1.4 million for the quarter ended September 30, 2025, compared to $1.1 million for the quarter ended September 30, 2024. The increase was driven by periodic building and maintenance expenses totaling $121,000 during the third quarter of 2025, in addition to increased costs related to building and land leases, property taxes, and utilities of $54,000, $46,000, and $27,000, respectively. These increases from the year-ago period were primarily due to timing of ongoing facilities-related costs and costs associated with operating the East Syracuse branch acquired in the third quarter of 2024. Data processing expense was $641,000 in the third quarter of 2025, decreasing $31,000 from $672,000 in the third quarter of 2024. The decrease from the year-ago period was due to lower costs associated with check and ATM processing charges.

For the nine months ended September 30, 2025, noninterest expense decreased $443,000 to $25.4 million from $25.9 million for the same period in 2024. The drivers of the year-to-date decrease included $985,000 in one-time costs related to the East Syracuse branch acquisition and $825,000 of lower insurance agency expenses due to the sale of the Bank's insurance agency business in October 2024, partially offset by $1.1 million in higher building and occupancy expenses due to periodic building and branch maintenance and costs associated with operating the East Syracuse branch. Salaries and benefits increased to $13.9 million for the nine months ended September 30, 2025, increasing $293,000 from the year ago period. The increase was driven by increased medical claims expected to be reimbursed by stop loss insurance.

Income Tax Expense

Income tax expense increased $1.2 million to $46,000, with an effective tax rate of 6.8%, for the quarter ended September 30, 2025, as compared to an income tax benefit of $1.2 million with an effective tax rate of 20.3% for the same three month period in 2024. The increase in income tax expense for the quarter ended September 30, 2025, as compared to the same quarter in 2024, was primarily driven by an increase of $6.5 million in income before taxes. The effective income tax rate decreased 13.5% to 6.8% for the three months ended September 30, 2025 as compared to 20.3% for the same three month period in 2024. The decrease in the tax rate in the third quarter of 2025, as compared to the same quarter in 2024, was primarily related to a decrease in income and fluctuations in permanent tax differences.

Income tax expense increased $957,000 to $797,000, with an effective tax rate of 18.0%, for the nine months ended September 30, 2025, as compared to an income tax benefit of $160,000 with an effective tax rate of 27.1%, for the same nine month period in 2024. The increase in income tax expense for the nine months ended September 30, 2025, as compared to the same nine month period in 2024, was primarily driven by a $5.0 million increase in income before taxes and fluctuations in permanent tax differences. The effective income tax rate decreased 9.1% to 18.0% for the nine months ended September 30, 2025 as compared to 27.1% for the same nine month period in 2024. The increase in the tax rate in the nine months ended September 30, 2025, as compared to the same period in 2024, was primarily related to an income in income and fluctuations in permanent tax differences.

The Company's tax liability is a function of the 21% statutory federal tax rate, the level of pretax income, the varying effects of New York State income taxes, and is partially reduced by tax-exempt income from specific types of investment securities and loans, bank owned life insurance, and, to a much lesser degree, the utilization of historic and low income housing tax credits. In addition, the tax effects of certain incentive stock option activity may reduce the Company's effective tax rate on a sporadic basis.

Earnings per Share

Basic and diluted earnings per Voting and Series A Non-Voting share were $0.10 per share for the third quarter of 2025, as compared to $(0.75) for the same prior year period. The increase in earnings per share between the third quarter of 2025 and 2024 was due to the increase of net income between the two periods. Third quarter 2024 results included a $9.0 million provision for credit losses due to $8.7 million of net charge offs resulting from a comprehensive loan portfolio review and $1.6 million in one-time transaction-related expenses for the previously announced July 2024 East Syracuse branch acquisition.

Basic and diluted earnings per share were $0.58 and $0.57, respectively, for both Voting and Series A Non-Voting shares for the nine month period ended September 30, 2025. Basic and diluted earnings per Voting and Series A Non-Voting share were $(0.09) per share for the nine month period ended September 30, 2024. The increase in earnings per share between the first nine months of 2025 and 2024 was due to the increase in net income between these two time periods. The results for the nine months ended September 30, 2024 included the effects from the aforementioned net charge offs and the East Syracuse one-time branch acquisition transaction-related expenses.

Further information on earnings per share can be found in Note 3 of the unaudited consolidated financial statements of this Form 10-Q.

Changes in Financial Condition

Assets

Total assets decreased $2.6 million, or 0.2%, to $1.47 billion at September 30, 2025 as compared to December 31, 2024. This decrease was due primarily to decreases in residential and consumer loans, partially offset by increases in investment securities, bank owned life insurance, commercial loans, and total cash and cash equivalents.

Loans, net of deferred fees, totaled $898.5 million on September 30, 2025, resulting in a decrease of $20.5 million or 2.2% from December 31, 2024. Consumer and residential loans totaled $356.2 million on September 30, 2025, decreasing $24.7

million or 6.5% from December 31, 2024. Commercial loans totaled $543.7 million on September 30, 2025, increasing $4.0 million, or 0.7% from December 31, 2024.

Total investment securities, including investment in FHLB-NY stock, totaled $445.8 million at September 30, 2025, an increase of $9.2 million, or 2.1%, compared to $436.7 million at December 31, 2024. This increase was due to an increase of $25.1 million in available-for-sale securities, and a $1.3 million increase in marketable equity securities. This increase was partially offset by a $16.1 million decrease in held-to-maturity securities due to calls and maturities, and a $1.1 million decrease in FHLB-NY stock.

Bank owned life insurance increased $6.4 million, or 26.0%, to $31.1 million at September 30, 2025 as compared to December 31, 2024. This increase was primarily due to a $6.0 million purchase of new life insurance policies during the second quarter of 2025.

Liabilities

Total liabilities decreased $7.5 million, or 0.6%, to $1.35 billion at September 30, 2025 as compared to December 31, 2024. This decrease was due primarily to decreases in total borrowings, offset partially by increases in total deposits.

Total borrowings decreased $31.4 million, or 35.6%, from $88.1 million at December 31, 2024 to $56.7 million at September 30, 2025. This decrease was due to a $23.0 million decrease in short-term borrowed funds from FHLB-NY, and an $8.4 million decrease in long-term borrowed funds from FHLB-NY.

Total deposits increased $20.6 million, or 1.7%, to $1.23 billion at September 30, 2025 as compared to December 31, 2024. The change in deposits from the prior period was due to an increase of $38.0 million in interest-bearing deposits, driven by changes in the deposit mix, including higher money market deposit accounts, partially offset by lower time deposit balances. The increase in interest-bearing deposits was also partially offset by a $17.4 million decrease in noninterest-bearing deposits.

Shareholders' Equity

Shareholders' equity increased by $4.8 million, or 4.0%, from $121.5 million at December 31, 2024, to $126.3 million at September 30, 2025. This increase was primarily due to the Company's recorded net income of $3.6 million, an increase in additional paid in capital of $1.2 million, and a decrease in accumulated other comprehensive loss of $1.9 million, partially reduced by declared dividends to shareholders of $1.9 million during the nine months ended September 30, 2025.

Capital

Capital adequacy is evaluated primarily by the use of ratios which measure capital against total assets, as well as against total assets that are weighted based on defined risk characteristics. The Company's goal is to maintain a strong capital position, consistent with the risk profile of its banking operations. This strong capital position serves to support growth and expansion activities while at the same time exceeding regulatory standards. At September 30, 2025, the Bank met the regulatory definition of a "well-capitalized" institution, i.e. a leverage capital ratio exceeding 5%, a Tier 1 risk-based capital ratio exceeding 8%, Tier 1 common equity exceeding 6.5%, and a total risk-based capital ratio exceeding 10%.

In addition to establishing the minimum regulatory capital requirements, the regulations limit capital distributions and certain discretionary bonus payments to management if the institution does not hold a "capital conservation buffer" consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets above the amount necessary to meet its minimum risk-based capital requirements. The buffer is separate from the capital ratios required under the Prompt Corrective Actions ("PCA") standards. In order to avoid these restrictions, the capital conservation buffer effectively increases the minimum levels of the following capital to risk-weighted assets ratios: (1) Core Capital, (2) Total Capital and (3) Common Equity. At September 30, 2025, the Bank exceeded all regulatory required minimum capital ratios, including the capital buffer requirements.

Pathfinder Bank's capital amounts and ratios as of the indicated dates are presented in the following table:

(In thousands)	Actual Amount	Actual Ratio	Minimum For Capital Adequacy Purposes Amount	Minimum For Capital Adequacy Purposes Ratio	Minimum To Be "Well-Capitalized" Under Prompt Corrective Provisions Amount	Minimum To Be "Well-Capitalized" Under Prompt Corrective Provisions Ratio	Minimum For Capital Adequacy with Buffer Amount	Minimum For Capital Adequacy with Buffer Ratio
As of September 30, 2025:								
Total Core Capital (to Risk-Weighted Assets)	$ 154,183	14.71%	$ 83,857	8.00%	$ 104,822	10.00%	$ 110,063	10.50%
Tier 1 Capital (to Risk-Weighted Assets)	$ 141,001	13.45%	$ 62,893	6.00%	$ 83,857	8.00%	$ 89,098	8.50%
Tier 1 Common Equity (to Risk-Weighted Assets)	$ 141,001	13.45%	$ 47,170	4.50%	$ 68,134	6.50%	$ 73,375	7.00%
Tier 1 Capital (to Assets)	$ 141,001	9.72%	$ 58,034	4.00%	$ 72,543	5.00%	$ 72,543	5.00%
As of December 31, 2024								
Total Core Capital (to Risk-Weighted Assets)	$ 151,747	14.65%	$ 82,845	8.00%	$ 103,556	10.00%	$ 108,733	10.50%
Tier 1 Capital (to Risk-Weighted Assets)	$ 138,740	13.40%	$ 62,133	6.00%	$ 82,845	8.00%	$ 88,022	8.50%
Tier 1 Common Equity (to Risk-Weighted Assets)	$ 138,740	13.40%	$ 46,600	4.50%	$ 67,311	6.50%	$ 72,489	7.00%
Tier 1 Capital (to Assets)	$ 138,740	9.64%	$ 41,422	4.00%	$ 51,778	5.00%	$ 71,960	5.00%

Non-GAAP Financial Measures

Regulation G, a rule adopted by the Securities and Exchange Commission (SEC), applies to certain SEC filings, including earnings releases, made by registered companies that contain "non-GAAP financial measures." GAAP is generally accepted accounting principles in the United States of America. Under Regulation G, companies making public disclosures containing non-GAAP financial measures must also disclose, along with each non-GAAP financial measure, certain additional information, including a reconciliation of the non-GAAP financial measure to the closest comparable GAAP financial measure (if a comparable GAAP measure exists) and a statement of the Company's reasons for utilizing the non-GAAP financial measure as part of its financial disclosures. The SEC has exempted from the definition of "non-GAAP financial measures" certain commonly used financial measures that are not based on GAAP. When these exempted measures are included in public disclosures, supplemental information is not required. Financial institutions like the Company and its subsidiary bank are subject to an array of bank regulatory capital measures that are financial in nature but are not based on GAAP. The Company follows industry practice in disclosing its financial condition under these various regulatory capital measures, including period-end regulatory capital ratios for its subsidiary bank, in its periodic reports filed with the SEC. The Company provides, below, an explanation of the calculations, as supplemental information, for non-GAAP measures included in the consolidated annual financial statements. In addition, the Company provides a reconciliation of its subsidiary bank's disclosed regulatory capital measures, below.

(In thousands)		September 30, 2025		December 31, 2024
Regulatory Capital Ratios (Bank only)				
Total capital (to risk-weighted assets)				
Total equity (GAAP)	$	144,318	$	140,641
Goodwill		(5,056)		(5,056)
Intangible assets		(5,518)		(5,989)
Addback: Accumulated other comprehensive loss		7,257		9,144
Total Tier 1 Capital	$	141,001	$	138,740
Allowance for credit losses (subject to regulatory limits)		13,182		13,007
Total Tier 2 Capital	$	13,182	$	13,007
Total Tier 1 plus Tier 2 Capital (numerator)	$	154,183	$	151,747
Risk-weighted assets (denominator)		1,048,215		1,035,557
Total core capital to risk-weighted assets		14.71 %		14.65 %
Tier 1 capital (to risk-weighted assets)				
Total Tier 1 capital (numerator)	$	141,001	$	138,740
Risk-weighted assets (denominator)		1,048,215		1,035,557
Total capital to risk-weighted assets		13.45 %		13.40 %
Tier 1 capital (to adjusted assets)				
Total Tier 1 capital (numerator)	$	141,001	$	138,740
Total average assets		1,461,427		1,450,254
Goodwill		(5,056)		(5,056)
Intangible assets		(5,518)		(5,989)
Adjusted assets (denominator)	$	1,450,853	$	1,439,209
Total capital to adjusted assets		9.72 %		9.64 %
Tier 1 Common Equity (to risk-weighted assets)				
Total Tier 1 capital (numerator)	$	141,001	$	138,740
Risk-weighted assets (denominator)		1,048,215		1,035,557
Total Tier 1 Common Equity to risk-weighted assets		13.45 %		13.40 %

(In thousands)	For the three months ended September 30, 2025	For the three months ended September 30, 2024	For the nine months ended September 30, 2025	For the nine months ended September 30, 2024
Revenue, pre-tax, pre-provision net income, and efficiency ratio:				
Net interest income	$ 11,600	$ 11,732	$ 33,825	$ 30,612
Total noninterest income	1,503	1,707	1,182	4,655
Net realized (gains) losses on sales and redemptions of investment securities	(12)	(188)	(20)	(320)
Gains on sales of loans and foreclosed real estate	121	90	269	148
Revenue (non-GAAP) [1]	12,994	13,537	37,822	35,439
Total non-interest expense	8,937	10,259	25,431	25,873
Pre-tax, pre-provision net income (non-GAAP) [2]	$ 4,057	$ 3,278	$ 12,391	$ 9,566
Efficiency ratio (non-GAAP) [3]	68.78 %	75.78 %	67.24 %	73.01 %

[1] Revenue equals net interest income plus total noninterest income less net realized gains or losses on sales and redemptions of investment securities, and sales of loans and foreclosed real estate.

[2] Pre-tax, pre-provision net income equals revenue less total noninterest expense.

[3] Efficiency ratio equals noninterest expense divided by revenue.

Loan and Asset Quality and Allowance for Credit Losses

The following table represents information concerning the aggregate amount of non-accrual loans at the indicated dates:

(In thousands)	September 30, 2025	December 31, 2024	September 30, 2024
Nonaccrual loans:			
Commercial and commercial real estate loans	$ 20,169	$ 18,212	$ 13,664
Consumer	910	710	901
Residential mortgage loans	2,226	3,162	1,605
Total nonaccrual loans	23,305	22,084	16,170
Total nonperforming loans	23,305	22,084	16,170
Foreclosed real estate	137	-	-
Total nonperforming assets	$ 23,442	$ 22,084	$ 16,170
Nonperforming loans to total loans	2.59%	2.40%	1.75%
Nonperforming assets to total assets	1.59%	1.50%	1.09%

Nonperforming assets include nonaccrual loans, and foreclosed real estate (''FRE").

As indicated in the table above, nonperforming assets at September 30, 2025 were $23.4 million, and were $1.3 million greater than the $22.1 million reported at December 31, 2024 and $7.2 million greater than the $16.2 million reported at September 30, 2024. The increase in the nonperforming loans on September 30, 2025, as compared to December 31, 2024, was the result of loans associated with two local commercial relationships that moved to nonperforming status.

Fair values for commercial FRE are initially recorded based on market value evaluations by third parties, less costs to sell ("initial cost basis"). On a prospective basis, residential FRE assets will be initially recorded at the lower of the net amount of loan receivable or the real estate's fair value less costs to sell. Any write-downs required when the related loan receivable is exchanged for the underlying real estate collateral at the time of transfer to FRE are charged to the allowance for credit losses. Values are derived from appraisals of underlying collateral or discounted cash flow analysis. Subsequent to foreclosure, valuations are updated periodically and assets are marked to current fair value, not to exceed the initial cost basis for the FRE property.

The allowance for credit losses on loans represents management's estimate of the lifetime losses inherent in the loan portfolio as of the date of the statement of condition. The allowance for credit losses was $18.7 million and $17.2 million at September 30, 2025 and December 31, 2024, respectively. The ratio of the allowance for credit losses to total loans was 2.08% as of September 30, 2025, as compared to 1.88% at December 31, 2024 and 1.87% at September 30, 2024. Management performs a quarterly evaluation of the allowance for credit losses based on quantitative and qualitative factors and has determined that the current level of the allowance for credit losses is adequate to absorb the losses in the loan portfolio as of September 30, 2025.

Loans purchased outside of the Bank's general market area are subject to substantial pre-purchase due diligence. Homogenous pools of purchased loans are subject to pre-purchase analyses led by a team of the Bank's senior executives and credit analysts. In each case, the Bank's analytical processes consider the types of loans being evaluated, the underwriting criteria employed by the originating entity, the historical performance of such loans, especially in the most recent deeply recessionary period, the offered collateral enhancements and other credit loss mitigation factors offered by the seller and the capabilities and financial stability of the servicing entities involved. From a credit risk perspective, these loan pools also benefit from broad diversification, including wide geographic dispersion, the readily-verifiable historical performance of similar loans issued by the originators, as well as the overall experience and skill of the underwriters and servicing entities involved as counterparties to the Bank in these transactions. The performance of all purchased loan pools are monitored regularly from detailed reports and remittance reconciliations provided at least monthly by the external servicing entities.

The projected credit losses related to purchased loan pools are evaluated prior to purchase and the performance of those loans against expectations are analyzed at least monthly. Over the life of the purchased loan pools, the allowance for credit losses is adjusted, through the provision for credit losses, for expected loss experience, over the projected life of the loans. The expected credit loss experience is determined at the time of purchase and is modified, to the extent necessary, during the life of the purchased loan pools. The Bank does not initially increase the allowance for credit losses on the purchase date of the loan pools.

At September 30, 2025 and December 31, 2024, the Company had $32.1 million and $20.0 million in loans, respectively, which were individually analyzed, having established specific reserves of $5.5 million and $2.5 million, respectively, on these loans. The $12.1 million increase in specifically identified loans between these two dates primarily reflects four large commercial loan relationships totaling $20.1 million, offset by 2025 year-to-date net charge offs of $3.6 million and $6.5 million in balances from the July 2025 sale of nonperforming and classified loans associated with one local commercial relationship.

Appraisals are obtained at the time a real estate secured loan is originated. For commercial real estate held as collateral, the property is inspected every two years.

Management has identified certain loans with potential credit profiles that may result in the borrowers not being able to comply with the current loan repayment terms and which may result in possible future identified loan reporting. Potential problem loans totaled $66.0 million at September 30, 2025, an increase of $9.6 million, as compared to $56.4 million at December 31, 2024. These loans have been internally classified as special mention, substandard, or doubtful, yet are not currently considered specifically-identified.

In the normal course of business, the Bank has, from time to time, sold residential mortgage loans and participation interests in commercial loans. As is typical in the industry, the Bank makes certain representations and warranties to the buyer. Pathfinder Bank maintains a quality control program for closed loans and considers the risks and uncertainties associated with potential repurchase requirements to be minimal.

The future performance of the Company's loan portfolios with respect to credit losses will be highly dependent upon the course and duration, both nationally and within the Company's market area, of the concentrations in the Company's loan portfolio. Concentrations of loans within a portfolio that are made to a single borrower, to a related group of borrowers, or to a limited number of industries, are generally considered to be additional risk factors in estimating future credit losses. Therefore, the Company monitors all of its credit relationships to ensure that the total loan amounts extended to one borrower, or to a related group of borrowers, does not exceed the maximum permissible levels defined by applicable regulation or the Company's generally more restrictive internal policy limits.

Liquidity

Liquidity management involves the Company's ability to generate cash or otherwise obtain funds at reasonable rates to support asset growth, meet deposit withdrawals, maintain reserve requirements, and otherwise operate the Company on an ongoing basis. The Company's primary sources of funds are deposits, borrowed funds, amortization and prepayment of loans and maturities of investment securities and other short-term investments, and earnings and funds provided from operations. While scheduled principal repayments on loans are a relatively predictable source of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions and competition. The Company manages the pricing of deposits to maintain a desired deposit composition and balance. In addition, the Company invests excess funds in short-term interest-earning and other assets, which provide liquidity to meet lending requirements.

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

Through the first nine months of 2025, as indicated in the consolidated statement of cash flows, the Company reported net cash flow from operating activities of $9.0 million and net cash flow of $12.2 million related to investing activities. The net cash inflows from investing activities was generated principally by an increase of $13.5 million in net loan activity, partially offset by a $397,000 decrease in net investment activity, and an $987,000 decrease in premises and equipment. The Company reported net cash outflows from financing activities of $12.2 million, primarily due to a $20.6 million increase in net deposit balances, a $31.4 million decrease in net borrowings, and an aggregate decrease of $1.4 million in net cash from all other financing sources, including dividends paid to common voting and non-voting shareholders and warrant holders of $1.9 million.

The Bank's management monitors liquidity on a continuous basis through a broad range of internal programs and considers effective liquidity management to be one of its primary objectives. At September 30, 2025 the Bank had deposits of $1.23 billion, of which a portion were nominally uninsured, as they were above the insurance limits established by the Federal Deposit Insurance Corporation ("FDIC") on that date. Of the nominally uninsured deposits at September 30, 2025, $95.6 million were insured through a long-standing reciprocal deposit program managed by a third-party entity. In addition, $118.1 million in municipal deposits are fully protected against principal loss by a collateral program whereby the Bank places high-quality securities with an independent custodian as collateral. The Bank had $152.2 million in deposits, representing 13.7% of all deposits that were considered to be uninsured at September 30, 2025. At December 31, 2024, the Bank had $149.0 million in deposits, representing 14.0% of all deposits that were considered to be uninsured.

The Company has a number of existing credit facilities available to it. At September 30, 2025, total credit available under the existing lines of credit was approximately $248.3 million at FHLB-NY, FRB-NY, and two other correspondent banks. At September 30, 2025, the Company had $56.7 million of the available lines of credit utilized on its existing lines of credit with the remainder of $191.6 million available.

The Asset Liability Management Committee of the Company is responsible for implementing the policies and guidelines for the maintenance of prudent levels of liquidity. As of September 30, 2025, management reported to the Board of Directors that the Company is in compliance with its liquidity policy guidelines.

Off-Balance Sheet Arrangements

The Company is also a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. At September 30, 2025, the Company had $219.2 million in outstanding commitments to extend credit and standby letters of credit.

The Company's exposure to credit loss in the event of nonperformance related to off-balance sheet arrangements is proportional to the contractual amount of those instruments. Such financial instruments are recorded when they are funded. The Company records an allowance for credit losses on off-balance sheet credit exposures, unless such commitments are unconditionally cancelable, through the provision for credit losses expense. The allowance for credit losses on off-balance sheet credit exposures as of September 30, 2025 was $686,000 and is included in other liabilities on the Company's consolidated Statements of Condition.

Item 3 – Quantitative and Qualitative Disclosures About Market Risk

A smaller reporting company is not required to provide the information relating to this item.

Item 4 – Controls and Procedures

Under the supervision and with the participation of our Chief Executive Officer ("CEO") and our Chief Financial Officer ("CFO") (the Company's principal executive officer and principal financial officer), management conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2025. The term "disclosure controls and procedures," under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on the evaluation of our disclosure controls and procedures as of September 30, 2025, our CEO and CFO concluded that our disclosure controls and procedures were effective as of that date.

We did not make any changes in internal control over financial reporting during the quarter ended September 30, 2025 that materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1 – Legal Proceedings

At September 30, 2025, the Company is not currently a named party in a legal proceeding, the outcome of which would have a material and adverse effect on the financial condition or results of operations of the Company.

Item 1A – Risk Factors

A smaller reporting company is not required to provide the information relating to this item.

Item 2 – Unregistered Sales of Equity Securities, and Use of Proceeds, and Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)		Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
July 1, 2025 through July 31, 2025	-	$	-	-	74,292
August 1, 2025 through August 31, 2025	-	$	-	-	74,292
September 1, 2025 through September 30, 2025	-	$	-	-	74,292

(1)On August 29, 2016, our Board of Directors authorized the repurchase of up to 217,692 shares of our common stock, or 5% of the Company's shares outstanding as of that date.

Item 3 – Defaults Upon Senior Securities

None

Item 4 – Mine Safety Disclosures

Not applicable

Item 5 – Other Information

During the third quarter of 2025, none of our directors or officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement," as that term is used in SEC regulations.

Item 6 – Exhibits

Exhibit No.	Description
31.1	Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer
32	Section 1350 Certification of the Chief Executive Officer and Chief Financial Officer
101	Interactive data files pursuant to Rule 405 of Regulation S-T formatted in Inline Extensible Business Reporting Language (iXBRL): (i) the Consolidated Statements of Condition, (ii) the Consolidated Statements of Income (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Changes in Shareholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) the Notes to the Consolidated Financial Statements tagged as blocks of text.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

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 thereunto duly authorized.

PATHFINDER BANCORP, INC.
(registrant)

November 14, 2025 /s/ James A. Dowd
James A. Dowd
President and Chief Executive Officer

November 14, 2025 /s/ Justin K. Bigham
Justin K. Bigham
Senior Vice President, Chief Financial Officer

EXHIBIT 31.1: Rule 13a-14(a) / 15d-14(a) Certification of the Chief Executive Officer

Certification of Chief Executive Officer

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, James A. Dowd, certify that:

1.I have reviewed this Quarterly Report on Form 10-Q of Pathfinder Bancorp, Inc.;

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

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

4.The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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 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 report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
(d)Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5.The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

(a)All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
(b)Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 14, 2025

/s/ James A. Dowd
James A. Dowd
President and Chief Executive Officer

EXHIBIT 31.2: Rule 13a-14(a) / 15d-14(a) Certification of the Chief Financial Officer

Certification of Chief Financial Officer

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Justin K. Bigham, certify that:

1.I have reviewed this Quarterly Report on Form 10-Q of Pathfinder Bancorp, Inc.;

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

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

4.The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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 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 report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
d.Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5.The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

a.All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
b.Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 14, 2025

/s/ Justin K. Bigham
Justin K. Bigham
Senior Vice President, Chief Financial Officer

EXHIBIT 32 Section 1350 Certification of the Chief Executive Officer and Chief Financial Officer

Certification pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Pathfinder Bancorp, Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2025 as filed with the Securities and Exchange Commission (the “Report”), the undersigned hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

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

November 14, 2025	/s/ James A. Dowd James A. Dowd President and Chief Executive Officer
November 14, 2025	/s/ Justin K. Bigham Justin K. Bigham Senior Vice President, Chief Financial Officer