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 March 31, 2025

OR

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

For the transition period from _____ to _____

(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 May 12, 2025, there were 4,761,182 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.
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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)		March 31, 2025		December 31, 2024
ASSETS:				
Cash and due from banks	$	18,606	$	13,963
Interest-earning deposits		32,862		17,609
Total cash and cash equivalents		51,468		31,572
Available-for-sale securities, at fair value		284,051		269,331
Held-to-maturity securities, at amortized cost (fair value of $149,048 and $151,023, respectively)		155,704		158,683
Marketable equity securities, at fair value		4,401		4,076
Federal Home Loan Bank stock, at cost		2,906		4,590
Loans, net of deferred fees		912,150		918,986
Less: Allowance for credit losses		17,407		17,243
Loans receivable, net		894,743		901,743
Premises and equipment, net		19,233		19,009
Operating lease right-of-use assets		1,356		1,391
Finance lease right-of-use assets		16,478		16,676
Accrued interest receivable		6,748		6,881
Intangible assets, net		5,832		5,989
Goodwill		5,056		5,056
Bank owned life insurance		24,889		24,727
Other assets		22,472		25,150
Total assets	$	1,495,337	$	1,474,874
LIABILITIES AND SHAREHOLDERS' EQUITY:				
Deposits:				
Interest-bearing	$	1,061,166	$	990,805
Noninterest-bearing		203,314		213,719
Total deposits		1,264,480		1,204,524
Short-term borrowings		27,000		61,000
Long-term borrowings		17,628		27,068
Subordinated debt		30,156		30,107
Accrued interest payable		844		546
Operating lease liabilities		1,560		1,591
Finance lease liabilities		16,655		16,745
Other liabilities		12,118		11,810
Total liabilities		1,370,441		1,353,391
Shareholders' equity:				
Voting common stock, par value $0.01; 25,000,000 authorized shares; 4,761,182 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		53,103		52,750
Retained earnings		80,163		77,816
Accumulated other comprehensive loss		(8,432)		(9,144)
Total Pathfinder Bancorp, Inc. shareholders' equity		124,896		121,483
Total liabilities and shareholders' equity	$	1,495,337	$	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 March 31, 2025	March 31, 2024
Interest and dividend income:		
Loans, including fees	$ 13,672	$ 12,268
Debt securities:		
Taxable	5,185	5,607
Tax-exempt	402	508
Dividends	93	129
Federal funds sold and interest earning deposits	89	98
Total interest and dividend income	19,441	18,610
Interest expense:		
Interest on deposits	6,945	7,411
Interest on short-term borrowings	545	1,114
Interest on long-term borrowings	65	194
Interest on subordinated debt	475	491
Total interest expense	8,030	9,210
Net interest income	11,411	9,400
Provision for (benefit from) credit losses:		
Loans	504	710
Held-to-maturity securities	-	15
Unfunded commitments	(47)	1
Total provision for credit losses	457	726
Net interest income after provision for credit losses	10,954	8,674
Noninterest income:		
Service charges on deposit accounts	374	309
Earnings and gain on bank owned life insurance	162	157
Loan servicing fees	101	88
Net realized losses on sales and redemptions of investment securities	(8)	(148)
Net realized gains on sales of marketable equity securities	218	108
Gains on sales of loans and foreclosed real estate	65	18
Debit card interchange fees	1	119
Insurance agency revenue [1]	-	397
Other charges, commissions & fees	284	689
Total noninterest income	1,197	1,737
Noninterest expense:		
Salaries and employee benefits	4,450	4,329
Building and occupancy	1,347	816
Data processing	666	528
Professional and other services	606	562
Advertising	141	105
FDIC assessments	229	229
Audits and exams	114	170
Amortization expense	157	3
Insurance agency expense [1]	-	285
Community service activities	11	52
Foreclosed real estate expenses	21	25
Other expenses	691	602
Total noninterest expense	8,433	7,706
Income before provision for income taxes	3,718	2,705
Provision for income taxes	744	532
Net income attributable to noncontrolling interest and Pathfinder Bancorp, Inc.	2,974	2,173
Net income attributable to noncontrolling interest	-	53
Net income attributable to Pathfinder Bancorp Inc.	$ 2,974	$ 2,120
Voting Earnings per common share - basic	$ 0.48	$ 0.34
Voting Earnings per common share - diluted	$ 0.41	$ 0.34
Series A Non-Voting Earnings per common share- basic	$ 0.48	$ 0.34
Series A Non-Voting Earnings per common share- diluted	$ 0.41	$ 0.34
Dividends per common share (Voting and Series A Non-Voting)	$ 0.10	$ 0.10

[1] See Item 2

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 March 31, 2025	For the three months ended March 31, 2024
Net income	$ 2,974	$ 2,173
Other Comprehensive Income		
Retirement Plans:		
Retirement plan net gains recognized in plan expenses	34	37
Net unrealized gain on retirement plans	34	37
Unrealized holding gains on available-for-sale securities:		
Unrealized holding gains arising during the period	1,006	302
Reclassification adjustment for net losses included in net income	5	154
Net unrealized gains on available-for-sale securities	1,011	456
Derivatives and hedging activities:		
Unrealized holding (losses) gains arising during the period	(81)	513
Net unrealized (losses) gains on derivatives and hedging activities	(81)	513
Other comprehensive income, before tax	964	1,006
Tax effect	(252)	(263)
Other comprehensive income, net of tax	712	743
Comprehensive income	$ 3,686	$ 2,916
Comprehensive income, attributable to noncontrolling interest	$ -	$ 53
Comprehensive income attributable to Pathfinder Bancorp, Inc.	$ 3,686	$ 2,863
Tax Effect Allocated to Each Component of Other Comprehensive Income (Loss)		
Retirement plan net gains recognized in plan expenses	$ (9)	$ (10)
Unrealized holding gains on available-for-sale securities arising during the period	(263)	(79)
Reclassification adjustment for net losses on available-for-sale securities included in net income	(1)	(40)
Unrealized losses (gains) on derivatives and hedging arising during the period	21	(134)
Income tax effect related to other comprehensive income	$ (252)	$ (263)

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 March 31, 2025 and March 31, 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	-	-	-	2,974	-	-	-	2,974
Other comprehensive income, net of tax	-	-	-	-	712	-	-	712
Stock options exercised	1	-	353	-	-	-	-	354
Voting common stock dividends declared ($0.10 per share)	-	-	-	(476)	-	-	-	(476)
Non-Voting common stock dividends declared ($0.10 per share)	-	-	-	(138)	-	-	-	(138)
Warrant dividends declared ($0.10 per share)	-	-	-	(13)	-	-	-	(13)
Balance, March 31, 2025	$ 48	$ 14	$ 53,103	$ 80,163	$ (8,432)	$ -	$ -	$ 124,896
Balance, January 1, 2024	$ 47	$ 14	$ 53,114	$ 76,060	$ (9,605)	$ (135)	$ 761	$ 120,256
Net income	-	-	-	2,120	-	-	53	2,173
Other comprehensive income, net of tax	-	-	-	-	743	-	-	743
ESOP shares earned (6,111 shares)	-	-	32	-	-	45	-	77
Stock based compensation	-	-	5	-	-	-	-	5
Voting common stock dividends declared ($0.10 per share)	-	-	-	(471)	-	-	-	(471)
Non-Voting common stock dividends declared ($0.10 per share)	-	-	-	(138)	-	-	-	(138)
Warrant dividends declared ($0.10 per share)	-	-	-	(13)	-	-	-	(13)
Balance, March 31, 2024	$ 47	$ 14	$ 53,151	$ 77,558	$ (8,862)	$ (90)	$ 814	$ 122,632

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 three months ended March 31, 2025	2024
OPERATING ACTIVITIES		
Net income attributable to Pathfinder Bancorp, Inc.	$ 2,974	$ 2,120
Adjustments to reconcile net income to net cash flows from operating activities:		
Provision for credit losses	457	726
Proceeds from sales of loans held-for-sale	2,600	1,042
Originations of loans held-for-sale	(2,535)	(1,024)
Realized (gains) losses on sales, redemptions and calls of:		
Loans	(65)	(18)
Available-for-sale investment securities	5	143
Held-to-maturity investment securities	3	5
Marketable securities	(218)	(108)
Depreciation	413	339
Amortization of mortgage servicing rights	(3)	(14)
Amortization of deferred loan fees and costs	6	(105)
Amortization of operating and finance leases	112	28
Amortization of deferred financing fees from subordinated debt	49	47
Earnings on bank owned life insurance	(162)	(157)
Net amortization of premiums and discounts on investment securities	(46)	22
Net amortization of premiums on intangible assets	143	5
Stock based compensation and ESOP expense	174	77
Net change in accrued interest receivable	133	116
Net change in other assets and liabilities	1,657	(2,740)
Net cash inflows from operating activities	5,697	504
INVESTING ACTIVITIES		
Purchase of available-for-sale securities	(25,882)	(40,740)
Purchase of held-to-maturity securities	(6,196)	(3,014)
Purchase of marketable securities	(107)	(28)
Purchase of Federal Home Loan Bank stock	(1,788)	(2,896)
Proceeds from redemption of Federal Home Loan Bank stock	3,472	4,613
Proceeds from maturities and principal reductions of available-for-sale securities	10,473	16,029
Proceeds from maturities and principal reductions of held-to-maturity securities	6,612	8,929
Proceeds from sales, redemptions and calls of:		
Available-for-sale securities	2,995	3,434
Held-to-maturity securities	2,507	696
Real estate acquired through foreclosure	-	68
Net change in loans	6,679	5,735
Purchase of premises and equipment	(637)	(230)
Net cash outflows from investing activities	(1,872)	(7,404)
FINANCING ACTIVITIES		
Net change in demand deposits, NOW accounts, savings accounts, money management deposit accounts, MMDA accounts and escrow deposits	63,551	6,271
Net change in time deposits	8,347	23,657
Net change in brokered deposits	(11,942)	(3,882)
Net change in short-term borrowings	(34,000)	(34,103)
Payments on long-term borrowings	(9,440)	(4,050)
Proceeds from exercise of stock options	180	5
Cash dividends paid to common voting shareholders	(474)	(424)
Cash dividends paid to common non-voting shareholders	(138)	(124)
Cash dividends paid on warrants	(13)	(12)
Change in noncontrolling interest, net	-	53
Net cash inflows (outflows) from financing activities	16,071	(12,609)
Change in cash and cash equivalents	19,896	(19,509)
Cash and cash equivalents at beginning of period	31,572	48,732
Cash and cash equivalents at end of period	$ 51,468	$ 29,223
CASH PAID DURING THE PERIOD FOR:		
Interest	$ 7,732	$ 9,492

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 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 months ended March 31, 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 from 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 Adopted as of March 31, 2025

Standard	Description	Required Date of Implementation	Effect on Consolidated Financial Statements
Income taxes *(Topic 740): Improvements to Income Tax Disclosures 2023-09*	Amendments to ASC740 are being made to enhance the transparency and decision usefulness of income tax disclosures. The enhancements are made to provide information to better assess how an entity's operations and related tax risks and tax planning and operational opportunities affect its tax rate and prospects for future cash flows. The objective of these disclosure requirements is for an entity, particularly an entity operating in multiple jurisdictions, to disclose sufficient information to enable users of financial statements to understand the nature and magnitude of factors contributing to the difference between the effective tax rate and the statutory tax rate.	Public business entities are required to apply this guidance to annual periods beginning after December 15, 2024.	The adoption of this ASU does not have a material impact to the Company's consolidated financial statements.

Standards Not Yet Adopted as of March 31, 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.	The Company 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 months ended March 31, 2025 and March 31, 2024, respectively.

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

	Three months ended March 31,	
(In thousands, except share and per share data)	2025	2024
Net income attributable to Pathfinder Bancorp, Inc.	$ 2,974	$ 2,120
Series A Non-Voting Common Stock dividends	138	138
Warrant dividends	13	13
Undistributed earnings allocated to participating securities	565	363
Net income available to common shareholders - Voting	$ 2,258	$ 1,606
Net income attributable to Pathfinder Bancorp, Inc.	$ 2,974	$ 2,120
Voting Common Stock dividends	476	471
Warrant dividends	13	13
Undistributed earnings allocated to participating securities	1,829	1,165
Net income available to common shareholders - Non-Voting	$ 656	$ 471
Basic and diluted weighted average common shares outstanding - Voting	4,749	4,701
Basic and diluted weighted average common shares outstanding - Series A Non-Voting	1,380	1,380
Basic earnings per common share-Voting	$ 0.48	$ 0.34
Basic earnings per common share-Series A Non-Voting	$ 0.48	$ 0.34
Diluted earnings per common share-Voting	$ 0.41	$ 0.34
Diluted earnings per common share-Series A Non-Voting	$ 0.41	$ 0.34

Note 4: Investment Securities

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

	March 31, 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	$ 72,073	$ 279	$ (3,172)	$ 69,180
State and political subdivisions	35,279	15	(2,861)	32,433
Corporate	10,946	156	(217)	10,885
Asset backed securities	18,687	7	(219)	18,475
Residential mortgage-backed - US agency	50,090	258	(1,128)	49,220
Collateralized mortgage obligations - US agency	15,809	166	(778)	15,197
Collateralized mortgage obligations - Private label	90,170	218	(1,933)	88,455
Total	293,054	1,099	(10,308)	283,845
Equity investment securities:				
Common stock - financial services industry	206	-	-	206
Total	206	-	-	206
Total available-for-sale	$ 293,260	$ 1,099	$ (10,308)	$ 284,051
Held-to-Maturity Portfolio				
Debt investment securities:				
US Treasury, agencies and GSEs	$ 3,593	$ -	$ (235)	$ 3,358
State and political subdivisions	16,580	8	(1,648)	14,940
Corporate	41,168	17	(1,501)	39,684
Asset backed securities	12,566	12	(494)	12,084
Residential mortgage-backed - US agency	9,484	34	(590)	8,928
Collateralized mortgage obligations - US agency	11,556	2	(1,077)	10,481
Collateralized mortgage obligations - Private label	61,014	54	(1,495)	59,573
Total	155,961	127	(7,040)	149,048
Less: Allowance for credit losses	257			
Total held-to-maturity, net of allowance for credit losses	$ 155,704			

(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 March 31, 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.

	Available-for-Sale		**Held-to-Maturity**	
(In thousands)	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 6,558	$ 6,665	$ 5,929	$ 5,913
Due after one year through five years	35,380	32,126	36,509	35,261
Due after five years through ten years	14,904	14,103	18,179	16,378
Due after ten years	80,143	78,079	13,290	12,514
Sub-total	136,985	130,973	73,907	70,066
Residential mortgage-backed - US agency	50,090	49,220	9,484	8,928
Collateralized mortgage obligations - US agency	15,809	15,197	11,556	10,481
Collateralized mortgage obligations - Private label	90,170	88,455	61,014	59,573
Totals	$ 293,054	$ 283,845	$ 155,961	$ 149,048

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:

	March 31, 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	$ (1)	$ 209	8	$ (3,171)	$ 26,938	9	$ (3,172)	$ 27,147
State and political subdivisions	7	(157)	4,261	21	(2,704)	26,292	28	(2,861)	30,553
Corporate	-	-	-	4	(217)	3,472	4	(217)	3,472
Asset backed securities	5	(91)	8,833	6	(128)	5,936	11	(219)	14,769
Residential mortgage-backed - US agency	7	(283)	13,920	10	(845)	9,634	17	(1,128)	23,554
Collateralized mortgage obligations - US agency	-	-	-	11	(778)	6,754	11	(778)	6,754
Collateralized mortgage obligations - Private label	20	(115)	36,598	18	(1,818)	20,515	38	(1,933)	57,113
Totals	40	$ (647)	$ 63,821	78	$ (9,661)	$ 99,541	118	$ (10,308)	$ 163,362
Held-to-Maturity Portfolio									
US Treasury, agencies and GSEs	-	$ -	$ -	2	$ (235)	$ 3,358	2	$ (235)	$ 3,358
State and political subdivisions	3	(4)	358	16	(1,644)	12,675	19	(1,648)	13,033
Corporate	-	-	-	35	(1,501)	28,829	35	(1,501)	28,829
Asset backed securities	1	(3)	491	5	(491)	6,840	6	(494)	7,331
Residential mortgage-backed - US agency	1	(50)	2,863	6	(540)	4,801	7	(590)	7,664
Collateralized mortgage obligations - US agency	-	-	-	9	(1,077)	9,957	9	(1,077)	9,957
Collateralized mortgage obligations - Private label	6	(54)	12,300	23	(1,441)	30,844	29	(1,495)	43,144
Totals	11	$ (111)	$ 16,012	96	$ (6,929)	$ 97,304	107	$ (7,040)	$ 113,316

	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 an adjustment to current earnings for credit loss is required. In assessing potential credit losses, management also 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) 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) the intent to sell the security; (2) if it is "more likely than not" the security is required to be sold 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 $293.3 million, had an aggregate fair value that was less than its aggregate amortized historical cost by $9.2 million, or -3.1%, at March 31, 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 -3.7%, at December 31, 2024. The resultant $1.0 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 three months ended March 31, 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 three months ended March 31, 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 $156.0 million, had an aggregate fair value that was less than its aggregate amortized historical cost by $6.9 million, or -4.4%, at March 31, 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 -5.0%, at December 31, 2024. The resultant $1.0 million improvement in the aggregate fair value of the HTM investment portfolio, relative to its aggregate amortized historical cost, during the three months ended March 31, 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 three months ended March 31, 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 provide a rollforward of the allowance for credit losses on investment securities classified as held-to-maturity for the three months ended March 31, 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 for credit losses	-	-	-	-	-
Allowance on purchased financial assets with credit deterioration	-	-	-	-	-
Charge-offs of securities	-	-	-	-	-
Recoveries	-	-	-	-	-
Balance, March 31, 2025	$ -	$ -	$ 1	$ 256	$ 257

	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	-	-	-	15	15
Allowance on purchased financial assets with credit deterioration	-	-	-	-	-
Charge-offs of securities	-	-	-	-	-
Recoveries	-	-	-	-	-
Balance, March 31, 2024	$ -	$ -	$ 2	$ 365	$ 367

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 March 31, 2025 and December 31, 2024, aggregated by credit quality indicators:

(In thousands)	March 31, 2025	December 31, 2024
AAA or equivalent	$ 33,877	$ 38,304
AA or equivalent, including securities issued by the United States Government or Government Sponsored Enterprises	44,874	40,429
A or equivalent	8,717	12,602
BBB or equivalent	12,031	15,265
BB or equivalent	1,487	1,487
Unrated	54,975	50,853
Total	$ 155,961	$ 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 March 31,	
(In thousands)	2025	2024
Realized gains on investments	$ -	$ 734
Realized losses on investments	(8)	(882)
Total	$ (8)	$ (148)

As of March 31, 2025 and December 31, 2024, securities with a fair value of $153.3 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 $105.8 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	
	For the three months ended March 31,			
(In thousands)	2025	2024	2025	2024
Service cost	$ -	$ -	$ -	$ -
Interest cost	144	139	2	2
Expected return on plan assets	(256)	(253)	-	-
Amortization of prior service credits	-	-	(1)	(1)
Amortization of net losses/(gains)	35	40	(1)	(1)
Net periodic benefit plan (benefit) cost	$ (77)	$ (74)	$ -	$ -

The Company will evaluate the need for further contributions to the defined benefit pension plan during 2025. The prepaid pension asset of $8.1 million and $7.9 million as of March 31, 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)		March 31, 2025		December 31, 2024
Residential mortgage loans:				
1-4 family first-lien residential mortgages	$	243,854	$	251,373
Construction		3,162		4,864
Total residential mortgage loans		247,016		256,237
Commercial loans:				
Real estate		381,479		377,619
Lines of credit		65,074		67,602
Other commercial and industrial		91,644		89,800
Paycheck Protection Program loans		96		113
Tax exempt loans		4,446		4,544
Total commercial loans		542,739		539,678
Consumer loans:				
Home equity and junior liens		52,315		51,948
Other consumer		71,681		72,710
Total consumer loans		123,996		124,658
Subtotal loans		913,751		920,573
Net deferred loan fees		(1,601)		(1,587)
Loans, net of deferred fees		912,150		918,986
Less allowance for credit losses		17,407		17,243
Loans receivable, net	$	894,743	$	901,743

Although the Bank may sometimes purchase or fund loan participation interests outside 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 March 31, 2025 and December 31, 2024 (the month/year of the earliest acquisition date is depicted in parentheses):

(In thousands, except number of loans)	March 31, 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	$ 1,100	$ -	18	1-5	$ -
Home equity lines of credit (8/2019)	21,900	3,300	4	88	4-25	97
Unsecured consumer loan pool 2 (11/2019)	26,600	4	-	3	0-1	-
Residential real estate loans (12/2019)	4,300	4,200	277	54	16-24	-
Unsecured consumer loan pool 1 (12/2019)	5,400	400	-	36	0-2	-
Unsecured consumer installment loans pool 3 (12/2019)[2]	10,300	160	-	65	0-8	109
Secured consumer installment loans pool 4 (12/2020)	14,500	9,000	(1,212)	468	20-24	3
Unsecured consumer loans pool 5 (1/2021)[1]	24,400	12,300	(330)	585	6-21	1,192
Revolving commercial line of credit 1 (3/2021)	11,600	-	-	1	0	-
Secured consumer installment loans (11/2021)	21,300	16,000	(2,541)	794	16-24	506
Unsecured consumer loans pool 6 (11/2021)[1]	22,200	14,800	(2,016)	500	6-23	1,145
Revolving commercial line of credit 1 (7/2024)	1,050	7,000	28	1	0-1	-
Total	$ 170,350	$ 68,264	$ (5,790)	2,613		$ 3,052

(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)[2]	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 extinguishment 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 $676,000 at March 31, 2025.

[2] In December 2023, the primary servicer for a purchased pool of consumer installment loans declared bankruptcy and the Bank placed the loans within the serviced pool on nonaccrual status pending the release of collected funds by the U.S. Bankruptcy Court of jurisdiction. The current balance reflects anticipated principal payments that are expected to be received from the pool's underlying borrowers. At March 31, 2025, approximately $155,000 remains due from borrowers under the scheduled repayment terms of their original loan agreements. Under a series of released orders from the Court, monthly payments to the Bank resumed in late 2024 and the Bank's management expects to ultimately collect substantially all of the outstanding principal balance collected from the pool's underlying borrowers. Therefore, management does not consider the loans in this pool to be impaired and the loans within the serviced pool are back on accrual status at March 31, 2025.

On both March 31, 2025 and December 31, 2024, the allowance for credit loss ("ACL") related to these pools was $3.9 million.

As of March 31, 2025 and December 31, 2024, residential mortgage loans with a carrying value of $109.5 million and $113.8 million, respectively, have been pledged by the Company to the Federal Home Loan Bank of New York ("FHLBNY") 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 March 31, 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:

	Term Loans By Origination Year								
(In thousands)	2025	2024	2023	2022	2021	Prior	Revolving loans	Revolving loans converted to term loans	Total
Commercial real estate:									
Pass	$ 10,901	$ 46,380	$ 46,770	$ 61,063	$ 49,483	$ 131,609	$ -	$ -	$ 346,206
Special Mention	2,483	-	-	7,509	-	4,037	-	-	14,029
Substandard	-	838	4,147	8,616	4,708	2,727	-	-	21,036
Doubtful	-	-	150	-	-	58	-	-	208
Total commercial real estate	13,384	47,218	51,067	77,188	54,191	138,431	-	-	381,479
Commercial lines of credit:									
Pass	-	-	-	-	-	-	54,113	2,598	56,711
Special Mention	-	-	-	-	-	-	6,676	-	6,676
Substandard	-	-	-	-	-	-	1,133	554	1,687
Doubtful	-	-	-	-	-	-	-	-	-
Total commercial lines of credit	-	-	-	-	-	-	61,922	3,152	65,074
Other commercial and industrial:									
Pass	3,776	14,430	19,958	13,477	3,429	17,362	7,073	-	79,505
Special Mention	518	2,280	2,169	14	281	27	-	-	5,289
Substandard	-	-	128	1,077	199	4,665	-	-	6,069
Doubtful	-	-	328	24	429	-	-	-	781
Total other commercial and industrial	4,294	16,710	22,583	14,592	4,338	22,054	7,073	-	91,644
Paycheck Protection Program loans									
Pass	-	-	-	-	-	96	-	-	96
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total Paycheck Protection Program loans	-	-	-	-	-	96	-	-	96
Tax exempt loans									
Pass	-	87	-	-	-	4,359	-	-	4,446
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total tax exempt loans	-	87	-	-	-	4,359	-	-	4,446

(In thousands)	Term Loans By Origination Year						Revolving loans	Revolving loans converted to term loans	Total
	2025	2024	2023	2022	2021	Prior			
1-4 family first-lien residential mortgages:									
Pass	$ 3,193	$ 8,524	$ 15,743	$ 28,242	$ 45,288	$ 139,885	$ -	$ -	$ 240,875
Special Mention	-	-	-	-	-	599	-	-	599
Substandard	-	-	-	102	91	1,217	-	-	1,410
Doubtful	-	-	-	-	-	970	-	-	970
Total 1-4 family first-lien residential mortgages	3,193	8,524	15,743	28,344	45,379	142,671	-	-	243,854
Construction:									
Pass	-	3,162	-	-	-	-	-	-	3,162
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total construction	-	3,162	-	-	-	-	-	-	3,162
Home equity and junior liens:									
Pass	3,684	2,753	3,888	3,053	2,816	12,531	21,502	903	51,130
Special Mention	-	-	-	-	-	53	20	-	73
Substandard	-	-	63	-	12	365	657	6	1,103
Doubtful	-	-	-	-	-	-	-	9	9
Total home equity and junior liens	3,684	2,753	3,951	3,053	2,828	12,949	22,179	918	52,315
Other Consumer:									
Pass	1,668	3,442	58,071	3,542	1,886	2,951	-	-	71,560
Special Mention	-	-	6	1	-	15	-	-	22
Substandard	-	-	18	16	65	-	-	-	99
Doubtful	-	-	-	-	-	-	-	-	-
Total other consumer	1,668	3,442	58,095	3,559	1,951	2,966	-	-	71,681
Net deferred loan fees	(637)	125	30	(180)	(192)	(747)	-	-	(1,601)
Total loans	$ 25,586	$ 82,021	$ 151,469	$ 126,556	$ 108,495	$ 322,779	$ 91,174	$ 4,070	$ 912,150

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						Revolving	Revolving loans converted to	
(In thousands)	2024	2023	2022	2021	2020	Prior	loans	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

(In thousands)	Term Loans By Origination Year						Revolving loans	Revolving loans converted to term loans	Total
	2024	2023	2022	2021	2020	Prior			
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 March 31, 2025 and December 31, 2024, are detailed in the following tables:

	As of March 31, 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	$ 2,888	$ 546	$ 1,857	$ 5,291	$ 238,563	$ 243,854
Construction	-	-	-	-	3,162	3,162
Loans held-for-sale	-	-	-	-	-	-
Total residential mortgage loans	2,888	546	1,857	5,291	241,725	247,016
Commercial loans:						
Real estate	2,970	50	6,962	9,982	371,497	381,479
Lines of credit	2,502	-	452	2,954	62,120	65,074
Other commercial and industrial	1,302	2,453	3,196	6,951	84,693	91,644
Paycheck Protection Program loans	-	-	-	-	96	96
Tax exempt loans	-	-	-	-	4,446	4,446
Total commercial loans	6,774	2,503	10,610	19,887	522,852	542,739
Consumer loans:						
Home equity and junior liens	634	442	370	1,446	50,869	52,315
Other consumer	637	386	395	1,418	70,263	71,681
Total consumer loans	1,271	828	765	2,864	121,132	123,996
Total loans	$ 10,933	$ 3,877	$ 13,232	$ 28,042	$ 885,709	$ 913,751

	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 March 31, 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 three months ended March 31, 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	$ 1,857	$ 639	$ 23
Total residential mortgage loans	1,857	639	23
Commercial loans:			
Real estate	6,962	5,078	19
Lines of credit	452	250	1
Other commercial and industrial	3,196	1,037	44
Total commercial loans	10,610	6,365	64
Consumer loans:			
Home equity and junior liens	395	-	8
Other consumer	370	-	3
Total consumer loans	765	-	11
Total nonaccrual loans	$ 13,232	$ 7,004	$ 98

	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 March 31, 2025, the Bank's 80 nonperforming loans represented 1.5% of total loans, with an aggregate outstanding balance of $13.2 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 decrease in nonaccrual balances of $8.9 million was primarily the result of three large commercial loans returning to accrual status during the three months ended March 31, 2025.

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 months.

The financial impact of commercial real estate loan modifications made to borrowers experiencing financial difficult during the three months ended March 31, 2025 related to one borrower that was granted a maturity extension of 48 months. 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 March 31, 2025. There were no loan modifications made to borrowers experiencing financial difficulty during the three months ended March 31, 2024.

The following table presents the amortized cost basis of loans at March 31, 2025 and December 31, 2024 that were experiencing financial difficulty and modified, by class and by type of modification.

	As of March 31, 2025	
(In thousands)	Term Extension	Total Class of Receivable
Residential mortgage loans	$ -	-
Commercial real estate	2,031	1%
Commercial lines of credit	-	-
Commercial and industrial	-	-
Home equity and consumer	-	-
Total	$ 2,031	1%

	As of December 31, 2024	
(In thousands)	Term Extension	Total Class of Receivable
Residential mortgage loans	$ -	-
Commercial real estate	2,096	1%
Commercial lines of credit	-	-
Commercial and industrial	-	-
Home equity and consumer	-	-
Total	$ 2,096	1%

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 $457,000 in provision for credit losses ("PCL") for the three month period ended March 31, 2025, as compared to $726,000 for the three month period ended March 31, 2024.

There was a $269,000 decrease in provision for credit losses in the three months ended March 31, 2025, when compared to the same three month period in 2024. During the first quarter of 2025, the Company recorded a $504,000 increase to provision for credit losses related to its loan portfolio and a reduction to its reserves related to unfunded commitments in the amount of $47,000. The provision in the quarter ended March 31, 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 first quarter PCL reflects an addition to reserves considering asset quality metrics.

The following table summarizes all activity related to the ACL from December 31, 2024 to March 31, 2025 and to the recorded PCL for the three months ended March 31, 2025 (in thousands):

ACL - Loans	Reserves as of December 31, 2024	Q1 2025 Charge-Offs	Q1 2025 Recoveries	Q1 2025 PCL	Reserves as of March 31, 2025
Individually evaluated	$ 2,485	$ -	$ -	$ 5	$ 2,490
Overdraft	-	(38)	9	29	-
Pooled - quantitative	6,570	(263)	20	311	6,638
Pooled - qualitative	4,269	-	-	159	4,428
Purchased	3,919	(207)	139	-	3,851
Total ACL - Loans	$ 17,243	$ (508)	$ 168	$ 504	$ 17,407
ACL - Held-To-Maturity	257	-	-	-	257
Other Liabilities - Unfunded Commitments	550	-	-	(47)	503
Total ACL	$ 18,050	$ (508)	$ 168	$ 457	$ 18,167

The following table summarizes all activity related to the ACL from December 31, 2023 to March 31, 2024 and to the recorded PCL for the three months ended March 31, 2024 (in thousands):

ACL - Loans	Reserves as of December 31, 2023	Q1 2024 Charge-Offs	Q1 2024 Recoveries	Q1 2024 PCL	Reserves as of March 31, 2024
Individually evaluated	$ 3,716	$ -	$ -	$ 100	$ 3,816
Overdraft	364	(5)	4	-	363
Pooled - quantitative	6,203	(63)	34	101	6,275
Pooled - qualitative	3,566	-	-	509	4,075
Purchased	2,126	-	-	-	2,126
Total ACL - Loans	$ 15,975	$ (68)	$ 38	$ 710	$ 16,655
ACL - Held-To-Maturity	352	-	-	15	367
Other Liabilities - Unfunded Commitments	589	-	-	1	590
Total ACL	$ 16,916	$ (68)	$ 38	$ 726	$ 17,612

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 March 31, 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
Allowance for credit losses:						
Beginning Balance	$ 1,467	$ 592	$ 6,746	$ 749	$ 2,879	$ -
Charge-offs	-	-	-	(92)	(80)	-
Recoveries	3	-	1	-	4	-
Provisions (credits)	(37)	(88)	332	254	45	-
Ending balance	$ 1,433	$ 504	$ 7,079	$ 911	$ 2,848	$ -
Ending balance: related to loans individually evaluated	$ 41	$ -	$ 1,004	$ 253	$ 1,012	$ -
Ending balance: related to loans collectively evaluated	$ 1,392	$ 504	$ 6,075	$ 658	$ 1,836	$ -
Loans receivables:						
Ending balance	$ 243,854	$ 3,162	$ 381,479	$ 65,074	$ 91,644	$ 96
Ending balance: individually evaluated	$ 1,170	$ -	$ 10,650	$ 503	$ 2,945	$ -
Ending balance: collectively evaluated	$ 242,684	$ 3,162	$ 370,829	$ 64,571	$ 88,699	$ 96

	Tax exempt	Home equity and junior liens	Other Consumer	Total
Allowance for credit losses:				
Beginning Balance	$ 4	$ 715	$ 4,091	17,243
Charge-offs	-	-	(336)	(508)
Recoveries	-	1	159	168
Provisions (credits)	(2)	(22)	22	504
Ending balance	$ 2	$ 694	$ 3,936	$ 17,407
Ending balance: related to loans individually evaluated	$ -	$ 180	$ -	$ 2,490
Ending balance: related to loans collectively evaluated	$ 2	$ 514	$ 3,936	$ 14,917
Loans receivables:				
Ending balance	$ 4,446	$ 52,315	$ 71,681	$ 913,751
Ending balance: individually evaluated	$ -	$ 530	$ -	$ 15,798
Ending balance: collectively evaluated	$ 4,446	$ 51,785	$ 71,681	$ 897,953

	As of and for the three months ended March 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	Paycheck Protection Program
Allowance for credit losses:						
Beginning Balance	$ 1,608	$ 858	$ 5,751	$ 1,674	$ 3,281	$ -
Charge-offs	-	-	-	-	-	-
Recoveries	2	-	6	-	5	-
Provisions (credits)	9	(56)	810	(283)	117	-
Ending balance	$ 1,619	$ 802	$ 6,567	$ 1,391	$ 3,403	$ -
Ending balance: related to loans individually evaluated	$ 138	$ -	$ 1,057	$ 725	$ 1,710	$ -
Ending balance: related to loans collectively evaluated	$ 1,481	$ 802	$ 5,510	$ 666	$ 1,693	$ -
Loans receivables:						
Ending balance	$ 252,026	$ 1,689	$ 363,467	$ 67,416	$ 91,178	$ 147
Ending balance: individually evaluated	$ 2,129	$ -	$ 12,138	$ 1,270	$ 6,849	$ -
Ending balance: collectively evaluated	$ 249,897	$ 1,689	$ 351,329	$ 66,146	$ 84,329	$ 147

	Tax exempt	Home equity and junior liens	Other Consumer	Total
Allowance for credit losses:				
Beginning Balance	$ 1	$ 657	$ 2,145	$ 15,975
Charge-offs	-	-	(68)	(68)
Recoveries	-	-	25	38
Provisions	1	5	107	710
Ending balance	$ 2	$ 662	$ 2,209	$ 16,655
Ending balance: related to loans individually evaluated	$ -	$ 146	$ 70	$ 3,846
Ending balance: related to loans collectively evaluated	$ 2	$ 516	$ 2,139	$ 12,809
Loans receivables:				
Ending balance	$ 3,374	$ 35,723	$ 77,106	$ 892,126
Ending balance: individually evaluated	$ -	$ 715	$ 70	$ 23,171
Ending balance: collectively evaluated	$ 3,374	$ 35,008	$ 77,036	$ 868,955

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 March 31, 2025				
(In thousands)	1-4 family first-lien residential mortgage	Residential construction mortgage	Commercial real estate	Commercial lines of credit	Other commercial and industrial
Specifically reserved	$ 41	$ -	$ 1,004	$ 253	$ 1,012
Historical loss rate	1,440	504	2,880	154	1,111
Qualitative factors	(48)	-	3,195	504	725
Total	$ 1,433	$ 504	$ 7,079	$ 911	$ 2,848

	Tax exempt	Home equity and junior liens	Other consumer	Total
Specifically reserved	$ -	$ 392	$ 3,639	$ 6,341
Historical loss rate	2	281	266	6,638
Qualitative factors	-	21	31	4,428
Total	$ 2	$ 694	$ 3,936	$ 17,407

	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
Specifically reserved	$ 42	$ -	$ 853	$ 154	$ 1,165
Historical loss rate	1,474	592	2,779	126	1,032
Qualitative factors	(49)	-	3,114	469	682
Total	$ 1,467	$ 592	$ 6,746	$ 749	$ 2,879

	Tax exempt	Home equity and junior liens	Other consumer	Total
Specifically reserved	$ -	$ 416	$ 3,774	$ 6,404
Historical loss rate	4	278	285	6,570
Qualitative factors	-	21	32	4,269
Total	$ 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 March 31, 2025 and December 31, 2024:

(In thousands)	March 31, 2025	December 31, 2024
Commercial and industrial	$ 3,349	$ 7,478
Commercial real estate	10,650	8,591
Residential (1-4 family) first mortgages	373	374
Home equity loans and lines of credit	504	528
Consumer loans	-	67
Total loans	$ 14,876	$ 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	March 31, 2025	Number of properties	December 31, 2024
Foreclosed real estate	-	$ -	-	$ -

At March 31, 2025 and December 31, 2024, the Company reported $1.6 million 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 is 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 $2.5 million and $2.4 million of standby letters of credit as of March 31, 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

ASC 820, *Fair Value Measurements,* 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 both March 31, 2025 and December 31, 2024. 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 $4.4 million and $4.1 million as of March 31, 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 NAV 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. These investments are recorded at fair value at the end of each reporting period using Level 1 valuation techniques.

Individually evaluated loans: Individually evaluated 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. Individually evaluated loans are subject to nonrecurring fair value adjustments upon initial recognition or subsequent impairment. A portion of the allowance for credit losses is allocated to individually evaluated 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:

	March 31, 2025			
(In thousands)	Level 1	Level 2	Level 3	Total Fair Value
Available-for-Sale Portfolio				
Debt investment securities:				
US Treasury, agencies and GSEs	$ -	$ 69,180	$ -	$ 69,180
State and political subdivisions	-	32,433	-	32,433
Corporate	-	6,692	-	6,692
Corporate issuances measured at NAV	-	-	-	4,193
Asset backed securities	-	18,475	-	18,475
Residential mortgage-backed - US agency	-	49,220	-	49,220
Collateralized mortgage obligations - US agency	-	15,197	-	15,197
Collateralized mortgage obligations - Private label	-	88,455	-	88,455
Total		279,652		283,845
Equity investment securities:				
Common stock - financial services industry	206	-	-	206
Total available-for-sale securities	$ 206	$ 279,652	$ -	$ 284,051
Marketable equity securities measured at NAV	$ -	$ -	$ -	$ 4,401
Interest rate swap derivative fair value hedges (unrealized gain carried as receivable from derivative counterparties)	$ -	$ 3,110	$ -	$ 3,110

	December 31, 2024			
(In thousands)	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 March 31, 2025 and December 31, 2024:

	March 31, 2025			
(In thousands)	Level 1	Level 2	Level 3	Total Fair Value
Individually evaluated loans	$ -	$ -	$ 3,985	$ 3,985
Foreclosed real estate	$ -	$ -	$ -	$ -

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

The following table 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 March 31, 2025			
Individually evaluated loans	Appraisal of collateral	Discounted Cash Flow	12% - 50% (27%)
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	10% - 75% (21%)
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 months ended March 31, 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 FHLBNY 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 FHLBNY are obtained and the borrowings are discounted to the FHLBNY 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:

		March 31, 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	$ 51,468	$ 51,468	$ 31,572	$ 31,572
Investment securities - available-for-sale	2	279,858	279,858	264,880	264,880
Investment securities - available-for-sale	NAV	4,193	4,193	4,245	4,245
Investment securities - marketable equity	NAV	4,401	4,401	4,076	4,076
Investment securities - held-to-maturity	2	155,704	149,048	158,683	151,023
Federal Home Loan Bank stock	2	2,906	2,906	4,590	4,590
Net loans	3	894,743	850,926	901,743	852,743
Accrued interest receivable	1	6,748	6,748	6,881	6,881
Interest rate derivative fair value hedges receivable - AFS investments	2	1,994	1,994	3,199	3,199
Interest rate derivative fair value hedges receivable - loans	2	1,116	1,116	2,887	2,887
Financial liabilities:					
Demand Deposits, Savings, NOW and MMDA	1	$ 764,842	$ 764,842	$ 701,477	$ 701,477
Time Deposits	2	499,638	497,411	503,047	500,638
Borrowings	2	44,628	44,435	88,068	87,707
Subordinated debt	2	30,156	26,331	30,107	25,347
Accrued interest payable	1	844	844	546	546

Note 11: Interest Rate Derivatives

The Company is exposed to certain risks related 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 March 31, 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 March 31, 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 March 31, 2025 and December 31, 2024:

(In thousands)	Carrying Amount of the Hedged Assets at March 31, 2025	Cumulative Amount of Fair Value Hedging Adjustment Subtracted/(Added) from Carrying Amount of the Hedged Assets at March 31, 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]	$ 76,279	$ 1,994	$ 76,303	$ 3,199
Loans receivable [2]	$ 132,246	$ 1,116	$ 133,765	$ 2,887

(1) The $76.3 million carrying amount of hedged assets represents the hedge-adjusted amortized cost basis of individually evaluated municipal, private label, and GSE-backed securities designated as the underlying assets for the hedging relationships. The notional amount of the designated hedges were $78.2 million and $73.9 million at March 31, 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 $2.0 million and $3.2 million at March 31, 2025 and December 31, 2024, respectively. The Company's participation in fair value hedging transactions increased investment security interest income by $302,000 and $632,000 in the three month periods ended March 31, 2025 and March 31, 2024, respectively.

(2) The $132.2 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 $133.4 million and $128.9 million at March 31, 2025 and December 31, 2024, respectively. At March 31, 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 $1.1 million, recorded by the Company as a component of other assets. The Company's participation in fair value hedging transactions increased interest income by $267,000 and $628,000, for the three month periods ended March 31, 2025 and March 31, 2024, respectively. Details of the two hedging strategies, in place at March 31, 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 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 $74.6 million at March 31, 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 $1.5 million at March 31, 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 3-month 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 a reduction of $377,000 at March 31, 2025.

The following tables summarize the net effects of the Company's fair value and cash flow hedges for the three months ended March 31, 2025 and March 31, 2024, respectively:

Fair Value Hedges
(In thousands)

	Three Months Ended March 31, 2025			
Hedge Category	Average Notional Balance	Period Ending Notional Balance	Net Cash Received Recorded In Net Income	Fair Value Receivable at Period End
Investments	$ 73,283	$ 73,061	$ 301	$ 1,994
Loans	126,980	126,047	267	1,116
Total	$ 200,263	$ 199,108	$ 568	$ 3,110

	Three Months Ended March 31, 2024			
Hedge Category	Average Notional Balance	Period Ending Notional Balance	Net Cash Received Recorded In Net Income	Fair Value Receivable at Period End
Investments	$ 87,500	$ 83,519	$ 632	$ 3,509
Loans	138,903	137,850	628	3,035
Total	$ 226,403	$ 221,369	$ 1,260	$ 6,544

Cash Flow Hedges
(In thousands)

	Three Months Ended March 31, 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	$ -	$ -	$ 80	$ -

	Three Months Ended March 31, 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	$ 40,000	$ 40,000	$ 157	$ 556

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 March 31, 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 March 31, 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 March 31, 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	-	743	(60)	683
Amounts reclassified from AOCI	25	4	-	29
Ending balance	$ (1,966)	$ (6,801)	$ 335	$ (8,432)

	For the three months ended March 31, 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	-	223	379	602
Amounts reclassified from AOCI	27	114	-	141
Ending balance	$ (2,046)	$ (7,227)	$ 411	$ (8,862)

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

		Amount Reclassified from AOCI [1] (Unaudited)	
(In thousands)		For the three months ended	
Details about AOCI [1] components	Affected Line Item in the Statement of Income	March 31, 2025	March 31, 2024
Retirement plan items			
Retirement plan net gains recognized in plan expenses [2]	Salaries and employee benefits	$ (34)	$ (37)
Tax effect	Provision for income taxes	9	10
	Net Income	$ (25)	$ (27)
Available-for-sale securities			
Realized losses on sale of securities	Net losses on sales and redemptions of investment securities	$ (5)	$ (154)
Tax effect	Provision for income taxes	1	40
	Net Income	$ (4)	$ (114)

(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.

	For the three months ended	
(In thousands)	March 31, 2025	March 31, 2024
Service charges on deposit accounts		
Insufficient funds fees	$ 208	$ 179
Deposit related fees	148	109
ATM fees	18	21
Total service charges on deposit accounts	374	309
Fee Income		
Insurance agency revenue	-	397
Investment services revenue	101	142
ATM fees surcharge	73	50
Banking house rents collected	61	55
Total fee income	235	644
Card income		
Debit card interchange fees	1	119
Merchant card fees	11	12
Total card income	12	131
Mortgage fee income and realized gains on sales of loans and foreclosed real estate		
Loan servicing fees	101	88
Net gains on sales of loans and foreclosed real estate	65	18
Total mortgage fee income and realized gains on sales of loans and foreclosed real estate	166	106
Total	787	1,190
Earnings and gains on bank owned life insurance	162	157
Net realized losses on sales and redemptions of investment securities	(8)	(148)
Net realized gains on sales of marketable equity securities	218	108
Non-recurring gain on lease renegotiations	-	245
Other miscellaneous income	38	185
Total noninterest income	$ 1,197	$ 1,737

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 one year up to twenty-eight 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 it is reasonably certain that the renewal options will be exercised.

The components of lease expense are as follows:

	For the three months ended	
(In thousands)	March 31, 2025	March 31, 2024
Operating lease cost	$ 49	$ 49
Finance lease cost	429	108

Supplemental cash flow information related to leases was as follows:

	For the three months ended	
(In thousands)	March 31, 2025	March 31, 2024
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 46	$ 45
Operating cash flows from finance leases	429	108
Financing cash flows from finance leases	111	32

Supplemental balance sheet information related to leases was as follows:

(In thousands, except lease term and discount rate)	March 31, 2025	December 31, 2024
Operating Leases:		
Operating lease right-of-use assets	$ 1,356	$ 1,391
Operating lease liabilities	1,560	1,591
Finance Leases:		
Finance lease right-of-use assets	$ 16,478	$ 16,676
Finance lease liabilities	16,655	16,745
Weighted Average Remaining Lease Term:		
Operating leases	17.07 years	17.08 years
Finance leases	21.77 years	22.01 years
Weighted Average Discount Rate:		
Operating leases	3.90%	3.90%
Finance leases	6.01%	6.01%

As of March 31, 2025, future maturities of lease liabilities are as follows:

Twelve Months Ending March 31,

(In thousands)	Operating Leases	Finance Leases
2026	$ 116	$ 361
2027	117	381
2028	123	401
2029	87	426
2030	71	450
Thereafter	1,046	14,636
Total future maturities of lease liabilities	$ 1,560	$ 16,655

The Company owns certain properties that it leases to unaffiliated third parties at market rates. Lease rental income was $61,000 and $55,000 for the three months ended March 31, 2025 and 2024, respectively. The lease agreements in which the Company is the lessor are a mix of operating and finance 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 FitzGibbons 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 March 31, 2025, the Company and subsidiaries had total consolidated assets of $1.50 billion, total consolidated liabilities of $1.37 billion and shareholders' equity of $124.9 million.

The following discussion reviews the Company's financial condition at March 31, 2025 and the results of operations for the three month periods ended March 31, 2025 and 2024. Operating results for the three months ended March 31, 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 subsidiary, 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, tariffs, 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 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 above 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 from 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 March 31, 2025, the Bank’s position in individually evaluated loans consisted of 44 loans totaling $15.8 million. Of these loans, 14 loans, totaling $923,000, were valued using the present value of future cash flows method; and 30 loans, totaling $14.9 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 March 31, 2025, the Bank held $542.7 million in commercial real estate and commercial & industrial loans (collectively, commercial loans) representing 59.0% of the Bank's entire loan portfolio. The Bank allocated $10.8 million to the ACL for these loans, including $4.4 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 $1.1 million, 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 March 31, 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 most 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. Based on the December 31, 2024 evaluation, management has determined that the carrying value of goodwill was not impaired as of that date. 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 March 31, 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 March 31, 2025. The dividends are payable to all shareholders of record on April 18, 2025 and will be paid on May 9, 2025.

Overview and Results of Operations

The Company recorded net income of $3.0 million for the three months ended March 31, 2025 compared to net income of $2.1 million for the three months ended March 31, 2024. The $854,000 increase in net income was due primarily to a $1.2 million decrease in total interest expense, a $831,000 increase in total interest and dividend income, and a $269,000 decrease in provision for credit losses. These quarter-over-quarter changes were partially offset by a $727,000 increase in total noninterest expense, a $540,000 decrease in total noninterest income, and a $212,000 increase in provision for income taxes.

Net interest income before the provision for credit losses increased $2.0 million, or 21.4%, to $11.4 million for the three months ended March 31, 2025, as compared to $9.4 million for the same three month period in 2024. The increase in net interest income was primarily due to a 36 basis points decrease in the average cost of total interest-bearing liabilities in the first quarter of 2025, as compared to the same quarter in 2024, combined with a $22.0 million decrease in the average balance of total interest-bearing liabilities for the same comparative periods. The decrease in the average balance of total interest-bearing liabilities was mostly due to a $67.1 million decrease in average total borrowings, partially offset by a $45.1 million increase in the average balance of interest-bearing deposits. The decrease in the average rates paid on interest-bearing liabilities in the first quarter of 2025, as compared to the same quarter in 2024, reflects significant reductions in borrowings, continued changes in the Bank's funding mix, as well as deliberate deposit pricing adjustments.

The increase in net interest income was also due to a 19 basis points increase in the average yield of total interest-earning assets in the first quarter of 2025, as compared to the same quarter in 2024, combined with a $10.7 million increase in the average balance of total interest-earning assets. The increase in the average balance of total interest-earning assets was mostly due to a $20.9 million increase in average loans, partially offset by a $9.3 million decrease in the average balance of total investment securities, and a $934,000 decrease in average federal funds sold and interest-earning deposits. The increase in the average yield received on interest-earning assets in the first quarter of 2025, as compared to the same quarter in 2024, reflects generally increased rates of interest for newly funded loans and investment securities, as compared to the average

yields within these portfolios, as well as increases in rates for certain adjustable-rate loans and securities in the higher interest rate environment that has occurred in 2024 and the first quarter of 2025.

The Company's noninterest income for the first quarter of 2025 amounted to $1.2 million, reflecting a decrease of $540,000, compared to the same quarter of 2024. This decrease was primarily attributable to a $397,000 decrease in insurance agency revenue, as a result of the sale of the Company's insurance agency in October 2024. All other components of recurring noninterest income decreased $195,000, or 17.5%, during the same period. Other charges, commissions and fees decreased by $160,000, or 36.0%, in the quarter ended March 31, 2025, as compared to the same three month period in 2024, primarily as a result of New York State cumulative mortgage recording tax refunds in the amount of $141,000. Debit card interchange fees decreased $118,000 for the first quarter of 2025, as compared to the same quarter in 2024, driven by non-recurring catch up expenses related to prior periods of $158,000. Offsetting these decreases were increases of $65,000 in service charges on deposit accounts and $5,000 in earnings and gain on bank owned life insurance ("BOLI").

The quarter-over-quarter increase of $52,000, or 23.3%, in all other nonrecurring categories of noninterest income was primarily due to a $140,000 decrease in losses on sales and redemptions of investment securities, a $110,000 increase in gains on marketable equity securities, and a $47,000 increase in gain on sales of loans and foreclosed real estate. This cumulative gain of $297,000 was mostly offset by the recognition of a $245,000 refund received from cumulative lessor related pass-through operating expense charges for a leased branch location during the first quarter of 2024.

Total noninterest expense for the first quarter of 2025 was $8.4 million, an increase of $727,000, or 9.4%, compared to the same three month period in 2024. The increase was mostly the result of a $531,000 increase in building and occupancy, primarily due to ongoing facility-related costs associated with operating the East Syracuse branch acquired in July 2024. Other contributors to this quarter-over-quarter increase mostly related to the opening of the new East Syracuse branch include a $154,000 increase in amortization expense, a $138,000 increase in data processing, and a $121,000 increase in salaries and benefits. Partially offsetting these increases was a $285,000 decrease in insurance agency expense, as a result of the sale of the Company's insurance agency in October 2024.

Management extensively reviews recent trends in changes in the size and composition of the loan portfolio, historical loss experience, qualitative factors, and specific reserve requirements on loans individually evaluated, in its determination of the adequacy of the ACL. For the three months ended March 31, 2025, $457,000 was recorded in PCL as compared to $726,000 in the same prior year three month period. The provision in the quarter ended March 31, 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 first quarter PCL reflects an addition to reserves considering loan growth and asset quality metrics. The 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.

The total PCL for the three months ended March 31, 2025 was $457,000, with $504,000 related to the Company's loan portfolio, which was partially offset by a benefit of $47,000 for reserves related to unfunded commitments. The ACL related to loans was therefore $17.4 million at March 31, 2025.

In comparing the year-over-year first quarter periods, the Company’s return on average assets increased 22 basis points to 0.81% due to the combined effects of the increase in net income (the numerator in the ratio) outpacing the increase in average assets (the denominator in the ratio). Average assets increased mostly due to an increase of $20.9 million in the average balance of loans in the first quarter of 2025, as compared to the same quarter of 2024.

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 table sets 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 table has 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 March 31,					
	2025			2024		
(In thousands)	Average Balance	Interest	Average Yield / Cost	Average Balance	Interest	Average Yield / Cost
Interest-earning assets:						
Loans	$ 916,207	$ 13,672	5.97%	$ 895,335	$ 12,268	5.48%
Taxable investment securities	416,558	5,278	5.07%	431,114	5,736	5.32%
Tax-exempt investment securities	34,475	402	4.66%	29,171	508	6.97%
Fed funds sold and interest-earning deposits	12,939	89	2.75%	13,873	98	2.83%
Total interest-earning assets	1,380,179	19,441	5.63%	1,369,493	18,610	5.44%
Noninterest-earning assets:						
Other assets	114,882			94,677		
Allowance for credit losses	(17,413)			(16,081)		
Net unrealized losses on available-for-sale securities	(9,947)			(11,187)		
Total assets	$ 1,467,701			$ 1,436,902		
Interest-bearing liabilities:						
NOW accounts	$ 111,643	$ 298	1.07%	$ 99,688	$ 263	1.06%
Money management accounts	10,906	3	0.11%	11,653	3	0.10%
MMDA accounts	256,186	1,960	3.06%	213,897	1,933	3.61%
Savings and club accounts	129,769	81	0.25%	112,719	73	0.26%
Time deposits	498,963	4,603	3.69%	524,368	5,139	3.92%
Subordinated debt	30,123	475	6.31%	29,930	491	6.56%
Borrowings	70,575	610	3.46%	137,882	1,308	3.79%
Total interest-bearing liabilities	1,108,165	8,030	2.90%	1,130,137	9,210	3.26%
Noninterest-bearing liabilities:						
Demand deposits	206,137			169,748		
Other liabilities	29,961			15,986		
Total liabilities	1,344,263			1,315,871		
Shareholders' equity	123,438			121,031		
Total liabilities & shareholders' equity	$ 1,467,701			$ 1,436,902		
Net interest income		$ 11,411			$ 9,400	
Net interest rate spread			2.73%			2.18%
Net interest margin			3.31%			2.75%
Ratio of average interest-earning assets to average interest-bearing liabilities			124.55%			121.18%

First quarter 2025 net interest income was $11.4 million, an increase of $2.0 million, or 21.4%, from the first quarter of 2024. The increase in interest and dividend income of $831,000 from the year-ago period was primarily attributed to an increase in interest from loans of $1.4 million, partially offset by average yield decreases of 231 basis points on tax-exempt investment securities and 25 basis points on taxable investment securities. The corresponding decreases in income from tax-exempt and taxable investment securities from the first quarter of 2024 were $106,000 and $458,000, respectively. The increase in interest from loans from the year-ago period reflected a benefit of approximately $347,000, including $247,000 of 2024 interest recovered from loans removed from nonaccrual status and $100,000 of first quarter 2025 prepayment fees.

A decrease in interest expense of $1.2 million from the first quarter of 2024 was primarily attributed to average balance decreases for time deposits and borrowings coupled with average cost decreases of 32 basis points for interest-bearing deposits, 25 basis points for subordinated debt, and 33 basis points for borrowings. The corresponding decreases in deposits and borrowings expense from the year-ago period were $466,000 and $698,000 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 3.31% in the first quarter of 2025 compared to 2.75% in the first quarter of 2024. The increase reflected significant reductions in deposit and borrowing costs, as well as increased interest income associated with loans.

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 March 31, 2025 vs. 2024 Increase/(Decrease) Due to		
Unaudited *(In thousands)*	**Volume**	**Rate**	**Total Increase (Decrease)**
Interest Income:			
Loans	$ 291	$ 1,113	$ 1,404
Taxable investment securities	(190)	(268)	(458)
Tax-exempt investment securities	82	(188)	(106)
Interest-earning deposits	(6)	(3)	(9)
Total interest income	177	654	831
Interest Expense:			
NOW accounts	32	3	35
Money management accounts	-	-	-
MMDA accounts	349	(322)	27
Savings and club accounts	11	(3)	8
Time deposits	(242)	(294)	(536)
Subordinated debt	3	(19)	(16)
Borrowings	(590)	(108)	(698)
Total interest expense	(437)	(743)	(1,180)
Net change in net interest income	$ 614	$ 1,397	$ 2,011

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 $60.0 million, or 5.0% from December 31, 2024. The increase in consumer and business deposits during the quarter ended March 31, 2025, reflected the Bank's increased market penetration among both non-business and business customers. For the quarter ended March 31, 2025, 78.3% of the Company's deposit base of $1.1 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 brokered and time deposits. 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 March 31, 2025 and December 31, 2024 is as follows:

(In thousands)	March 31, 2025	December 31, 2024
Savings accounts	$ 129,898	$ 128,753
Time accounts	349,673	360,716
Time accounts in excess of $250,000	149,922	142,473
Money management accounts	10,774	11,583
MMDA accounts	306,281	239,016
Demand deposit interest-bearing	109,941	101,080
Demand deposit noninterest-bearing	203,314	213,719
Mortgage escrow funds	4,677	7,184
Total Deposits	$ 1,264,480	$ 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:

	March 31, 2025			December 31, 2024		
(In thousands)	Nonbrokered	Brokered	Total	Nonbrokered	Brokered	Total
Savings accounts	$ 129,898		$ 129,898	$ 128,753	$ -	$ 128,753
Time accounts	227,344	122,329	349,673	226,445	134,271	360,716
Time accounts of $250,000 or more	149,922		149,922	142,473	-	142,473
Money management accounts	10,774		10,774	11,583	-	11,583
MMDA accounts	306,281		306,281	239,016	-	239,016
Demand deposit interest-bearing	107,941	2,000	109,941	99,080	2,000	101,080
Demand deposit noninterest-bearing	203,314		203,314	213,719	-	213,719
Mortgage escrow funds	4,677		4,677	7,184	-	7,184
Total Deposits	$ 1,140,151	$ 124,329	$ 1,264,480	$ 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 $457,000 in provision for credit losses for the three month period ended March 31, 2025, as compared to $726,000 for the three month period ended March 31, 2024. The provisioning in the first 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 $269,000 decrease in provision for credit losses in the first quarter of 2025, as compared to the same period in 2024. The first quarter PCL reflects an addition to reserves considering loan growth and asset quality metrics. 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. Please refer to the asset quality section below for a further discussion of asset quality as it relates to the allowance for credit losses.

The Company measures delinquency based on the amount of past due loans as a percentage of total loans. The ratio of delinquent loans to total loans decreased to 3.1% at March 31, 2025 as compared to 3.8% at December 31, 2024. Delinquent loans (numerator) decreased $7.1 million while total loan balances (denominator) decreased $6.8 million at March 31, 2025, as compared to December 31, 2024. The decrease in past due loans between these two periods was driven by an $8.9 million decrease in loans delinquent 90 days and over, and a decrease of $297,000 in loans delinquent 60-89 days, partially offset by an increase of $2.1 million in loans delinquent 30-59 days.

At March 31, 2025, there were $28.0 million in loans past due including $10.9 million in loans 30-59 days past due, $3.9 million in loans 60-89 days past due and $13.2 million in loans 90 or more days past due. At December 31, 2024, there were $35.1 million in loans past due including $8.8 million in loans 30-59 days past due, $4.2 million in loans 60-89 days past due and $22.1 million in loans 90 or more days past due.

The Bank continues to diligently monitor credit portfolios, particularly those considered sensitive to prevailing economic stressors, and apply conservative loan classification and reserve building methodologies.

Noninterest Income

The Company's noninterest income is primarily comprised of fees on deposit account balances and transactions, loan servicing, commissions, including insurance agency 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:

	For the three months ended,			
(In thousands)	March 31, 2025	March 31, 2024	Change	
Service charges on deposit accounts	$ 374	$ 309	$ 65	21.0%
Earnings and gain on bank owned life insurance	162	157	5	3.2%
Loan servicing fees	101	88	13	14.8%
Debit card interchange fees	1	119	(118)	-99.2%
Insurance agency revenue	-	397	(397)	-100.0%
Other charges, commissions and fees	284	444	(160)	-36.0%
Noninterest income before gains and losses	922	1,514	(592)	-39.1%
Gains on sales and redemptions of investment securities	(8)	(148)	140	94.6%
Gain on sales of loans and foreclosed real estate	65	18	47	261.1%
Non-recurring gain on lease renegotiations	-	245	(245)	-100.0%
Gains (losses) on marketable equity securities	218	108	110	101.9%
Total noninterest income	$ 1,197	$ 1,737	$ (540)	-31.1%

First quarter 2025 noninterest income totaled $1.2 million and no longer includes contributions from the insurance agency business sold in October 2024. First quarter 2024 noninterest income totaled $1.7 million, including $397,000 in insurance revenue.

Compared to the year-ago period, first quarter 2025 noninterest income reflected a reduction of $264,000 in debit card interchange fees driven by $158,000 of non-recurring catch up expenses and seasonal reductions estimated at $100,000, as well as decreases of $31,000 in service charges on deposit accounts and $7,000 in earnings and gain on bank owned life insurance ("BOLI"). Compared to the linked quarter, first quarter 2025 noninterest income also reflected increases of $52,000 in net realized gains on sales of marketable equity securities and $26,000 in gains on sales of loans and foreclosed real estate, as well as a decrease of $257,000 in net realized gains on sales and redemptions of investment securities.

Compared to the year-ago period, first quarter 2025 noninterest income included increases of $65,000 in service charges on deposit accounts, $13,000 in loan servicing fees, and $5,000 in earnings and gain on BOLI, as well as a decline of $118,000 in debit card interchange fees driven by $158,000 of non-recurring catch up expenses related to prior periods. Noninterest income growth from the year-ago quarter also reflected a $140,000 decrease in net realized losses on sales and redemptions of investment securities and increases of $110,000 in net realized gains on sales of marketable equity securities and $47,000 in gains on sales of loans and foreclosed real estate.

Noninterest Expense

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

	For the three months ended,			
(In thousands)	March 31, 2025	March 31, 2024	Change	
Salaries and employee benefits	$ 4,450	$ 4,329	$ 121	2.8%
Building and occupancy	1,347	816	531	65.1%
Data processing	666	528	138	26.1%
Professional and other services	606	562	44	7.8%
Advertising	141	105	36	34.3%
FDIC assessments	229	229	-	0.0%
Audits and exams	114	170	(56)	-32.9%
Amortization expense	157	3	154	5133.3%
Insurance agency expense	-	285	(285)	-100.0%
Community service activities	11	52	(41)	-78.8%
Foreclosed real estate expenses	21	25	(4)	-16.0%
Other expenses	691	602	89	14.8%
Total noninterest expenses	$ 8,433	$ 7,706	$ 727	9.4%

Total noninterest expense for the first quarter of 2025 was $8.4 million, an increase of $727,000, or 9.4%, compared to the same three month period in 2024. Salaries and benefits were $4.5 million in the first quarter of 2025, increasing $121,000 from the year-ago same period. The increase from the first quarter of 2024 was primarily attributed to a $95,000 increase in stock-based compensation and $123,000 in other salary and benefits expenses associated with personnel in the East Syracuse branch acquired in July 2024.

Building and occupancy was $1.3 million in the first quarter of 2025, increasing $531,000 from the year-ago quarter. The increase from the first quarter of last year was primarily due to ongoing facilities-related costs associated with operating the East Syracuse branch acquired in July 2024.

Data processing expense was $666,000 in the first quarter of 2025, increasing $138,000 from the year-ago period. The increase from the first quarter of 2024 was primarily attributed to the ongoing operations of the East Syracuse branch acquired in July 2024.

Partially offsetting these increases was a $285,000 decrease in insurance agency expense, as a result of the sale to the Company's insurance agency in October 2024.

We anticipate making planned investments in our workforce, filling vacancies, introducing additional performance-based compensation programs, and making targeted compensation adjustments in order to retain top talent and incentivize desired operational and financial outcomes. Such strategic staffing enhancements are believed to be integral to maintaining our competitive position and achieving long-term success in the dynamic banking landscape.

Annualized noninterest expense represented 2.33% of average assets in the first quarter of 2025, compared to 2.16% in the year-ago period, including costs associated with transactions of the divested insurance agency business. The efficiency ratio improved to 66.84% in the first quarter of 2025 as revenue growth outpaced increases in noninterest expense, compared to 68.29% 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.

Income Tax Expense

Income tax expense increased $212,000 to $744,000, with an effective tax rate of 20.0%, for the quarter ended March 31, 2025, as compared to $532,000 with an effective tax rate of 19.7% for the same three month period in 2024. The increase in income tax expense for the quarter ended March 31, 2025, as compared to the same quarter in 2024, was primarily driven by an increase of $1.0 million in income before taxes. The effective income tax rate increased 30 basis points to 20.0% for the three months ended March 31, 2025 as compared to 19.7% for the same three month period in 2024. The increase in the tax rate in the first quarter of 2025, as compared to the same quarter in 2024, was primarily related to 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 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 $0.48 and $0.41 per share for the first quarter of 2025, respectively. The difference between basic and diluted earnings per share reflects the accounting impact of restricted stock units granted to senior executive officers during the period under the 2024 Equity Incentive Plan, which was approved by shareholders at the 2024 annual meeting.

For the first quarter of 2024, both basic and diluted earnings per Voting and Series A Non-Voting share were $0.34 per share. The increase in earnings per share between these two periods was due to the increase in net income between these two time periods. 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 increased $20.5 million, or 1.39%, to $1.50 billion at March 31, 2025 as compared to December 31, 2024. This increase was due primarily to increases in total cash and cash equivalents.

Loans totaled $912.2 million at March 31, 2025, a decrease of $6.8 million, or 0.74%, compared to $919.0 million at December 31, 2024. This was primarily due to decreases of $9.2 million in total residential mortgage loans and $662,000 in total consumer loans, partially offset by increases of $3.1 million in commercial loans. Total cash and cash equivalents totaled $51.5 million at March 31, 2025, an increase of $19.9 million, or 63.0%, compared to $31.6 million at December 31, 2024. This was due to increases of $15.3 million in interest-earning deposits, and increases in cash and due from banks of $4.6 million.

Total increases in assets were also due to an increase in investment securities, including investment in FHLB-NY stock, of $10.4 million, or 2.4%, to $447.1 million at March 31, 2025, as compared to December 31, 2024. This was due to increases of $14.7 million in available-for-sale securities and $325,000 in marketable equity securities, partially offset by decreases of $3.0 million in held-to-maturity securities and $1.7 million in FHLB-NY stock.

Liabilities

Total liabilities increased $17.1 million, or 1.3%, to $1.37 billion at March 31, 2025 as compared to December 31, 2024. This increase was due primarily to an increase in total deposits of $60.0 million, or 5.0%, to $1.26 billion at March 31, 2025, from $1.20 billion at December 31, 2024. Interest-bearing deposits increased $70.4 million, or 7.1% from December 31, 2024 to March 31, 2025, while noninterest-bearing deposits decreased $10.4 million, or 4.9%, during the same period.

Total increases in liabilities were offset partially by a $43.4 million, or 49.3% decrease in borrowed funds balances from the FHLB-NY of $44.6 million at March 31, 2025, as compared to December 31, 2024. This decrease in borrowed funds includes a decrease of $34.0 million in short-term borrowing, and $9.4 million in long term borrowing.

Shareholders' Equity

Shareholders' equity increased by $3.4 million, or 2.8%, from $121.5 million at December 31, 2024, to $124.9 million on March 31, 2025. This increase was primarily due to the Company's $2.3 million increase in retained earnings and a decrease in accumulated other comprehensive loss of $712,000, partially reduced by declared dividends to shareholders of $627,000.

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 March 31, 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 March 31, 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:

	Actual		Minimum For Capital Adequacy Purposes		Minimum To Be "Well-Capitalized" Under Prompt Corrective Provisions		Minimum For Capital Adequacy with Buffer	
(In thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of March 31, 2025:								
Total Core Capital (to Risk-Weighted Assets)	$ 154,310	14.86%	$ 83,054	8.00%	$ 103,817	10.00%	$ 109,008	10.50%
Tier 1 Capital (to Risk-Weighted Assets)	$ 141,269	13.61%	$ 62,290	6.00%	$ 83,054	8.00%	$ 88,244	8.50%
Tier 1 Common Equity (to Risk-Weighted Assets)	$ 141,269	13.61%	$ 46,718	4.50%	$ 67,481	6.50%	$ 72,672	7.00%
Tier 1 Capital (to Assets)	$ 141,269	9.80%	$ 57,646	4.00%	$ 72,058	5.00%	$ 72,058	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)		March 31, 2025		December 31, 2024	
Regulatory Capital Ratios (Bank only)					
Total capital (to risk-weighted assets)					
Total equity (GAAP)	$	143,725	$	140,641	
Goodwill		(5,056)		(5,056)	
Intangible assets		(5,832)		(5,989)	
Addback: Accumulated other comprehensive loss		8,432		9,144	
Total Tier 1 Capital	$	141,269	$	138,740	
Allowance for credit losses (subject to regulatory limits)		13,041		13,007	
Total Tier 2 Capital	$	13,041	$	13,007	
Total Tier 1 plus Tier 2 Capital (numerator)	$	154,310	$	151,747	
Risk-weighted assets (denominator)		1,038,170		1,035,557	
Total core capital to risk-weighted assets		14.86	%	14.65	%
Tier 1 capital (to risk-weighted assets)					
Total Tier 1 capital (numerator)	$	141,269	$	138,740	
Risk-weighted assets (denominator)		1,038,170		1,035,557	
Total capital to risk-weighted assets		13.61	%	13.40	%
Tier 1 capital (to adjusted assets)					
Total Tier 1 capital (numerator)	$	141,269	$	138,740	
Total average assets		1,452,043		1,450,254	
Goodwill		(5,056)		(5,056)	
Intangible assets		(5,832)		(5,989)	
Adjusted assets (denominator)	$	1,441,155	$	1,439,209	
Total capital to adjusted assets		9.80	%	9.64	%
Tier 1 Common Equity (to risk-weighted assets)					
Total Tier 1 capital (numerator)	$	141,269	$	138,740	
Risk-weighted assets (denominator)		1,038,170		1,035,557	
Total Tier 1 Common Equity to risk-weighted assets		13.61	%	13.40	%

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)	March 31, 2025	December 31, 2024	March 31, 2024
Nonaccrual loans:			
Commercial and commercial real estate loans	$ 10,610	$ 18,212	$ 14,305
Consumer	765	710	3,572
Residential mortgage loans	1,857	3,162	1,775
Total nonaccrual loans	13,232	22,084	19,652
Total nonperforming loans	13,232	22,084	19,652
Foreclosed real estate	-	-	82
Total nonperforming assets	$ 13,232	$ 22,084	$ 19,734
Nonperforming loans to total loans	1.45%	2.40%	2.20%
Nonperforming assets to total assets	0.88%	1.50%	1.36%

Nonperforming assets include nonaccrual loans, and foreclosed real estate (‘‘FRE”).

As indicated in the table above, nonperforming assets at March 31, 2025 were $13.2 million, and were $8.9 million lower than the $22.1 million reported at December 31, 2024 and $6.5 million lower than the $19.7 million reported at March 31, 2024. The decrease in the nonperforming loans on March 31, 2025, as compared to December 31, 2024, was primarily the result of certain commercial loans returning to accrual 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 $17.4 million and $17.2 million at March 31, 2025 and December 31, 2024, respectively. The ratio of the allowance for credit losses to total loans was 1.91% as of March 31, 2025, as compared to 1.88% at December 31, 2024 and 1.87% at March 31, 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 March 31, 2025.

Loans purchased outside 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, 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 March 31, 2025 and December 31, 2024, the Company had $15.8 million and $20.0 million in loans, respectively, which were individually analyzed, having established specific reserves of $2.5 million, respectively, on these loans.

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 $58.5 million at March 31, 2025, a decrease of $2.1 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 individually evaluated.

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 the Federal Home Loan Bank of New York ("FHLBNY"), 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 three months of 2025, as indicated in the Consolidated Statement of Cash Flows, the Company reported net cash inflows from financing activities of $16.1 million and $5.7 million from operating activities. The net cash inflows from financing activities was primarily due to increases of $60.0 million in net deposit balances, partially offset by a $43.4 million decrease in net borrowings, and a $445,000 decrease in net cash from all other financing sources, including dividends paid to common voting and non-voting shareholders and warrants of $625,000. The Company reported net cash outflows of $1.9 million related to investing activities, generated primarily by decreases of $7.9 million and $637,000 in net

investment activity and premises and equipment, respectively, offset partially by increases of $6.7 million in net loan activity.

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 March 31, 2025 the Bank had deposits of $1.26 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 March 31, 2025, $107.0 million were insured through a long-standing reciprocal deposit program managed by a third-party entity. In addition, $138.0 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 $150.0 million in deposits, representing 13.2% of all deposits, that were considered to be uninsured at March 31, 2025.

The Company has a number of existing credit facilities available to it. At March 31, 2025, total credit available under the existing lines of credit was approximately $224.5 million at FHLBNY, the Federal Reserve Bank, and two other correspondent banks. At March 31, 2025, the Company had $44.6 million of the available lines of credit utilized on its existing lines of credit with the remainder of $179.8 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 March 31, 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 March 31, 2025, the Company had $211.2 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 March 31, 2025 was $513,000 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 March 31, 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 March 31, 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 March 31, 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 March 31, 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

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
January 1, 2025 through January 31, 2025	-	$ -	-	74,292
February 1, 2025 through February 28, 2025	-	$ -	-	74,292
March 1, 2025 through March 31, 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 first 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)

May 15, 2025	/s/ James A. Dowd James A. Dowd President and Chief Executive Officer
May 15, 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.

May 15, 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.

May 15, 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 March 31, 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.

May 15, 2025	/s/ James A. Dowd James A. Dowd President and Chief Executive Officer
May 15, 2025	/s/ Justin K. Bigham Justin K. Bigham Senior Vice President, Chief Financial Officer