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

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

For the quarterly period ended September 30, 2026

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

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

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

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

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

As of November 10, 2026, there were 4,898,360 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.
FORM 10-Q - Quarter Ended September 30, 2026

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GLOSSARY OF TERMS

The following listing includes acronyms and terms used throughout the document:

Term	Definition
2025 Annual Report	Form 10-K for the year ended December 31, 2025
ACL	Allowance for Credit Losses
AFS	Available-for-Sale
AOCI	Accumulated Other Comprehensive Income (Loss)
ASC	Financial Accounting Standards Board Accounting Standards Codification
ASU	Accounting Standards Update
Bank	Pathfinder Bank
BOLI	Bank-Owned Life Insurance
bps	Basis Points
CECL	Current Expected Credit Losses
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
CFO	Chief Financial Officer
Company	Pathfinder Bancorp, Inc.
Convertible Perpetual Preferred Stock	Series B Convertible Perpetual Preferred Stock
DCF	Discounted Cash Flow
EPS	Earnings Per Share
Exchange Act	Securities Exchange Act of 1934
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FHLB-NY	Federal Home Loan Bank of New York
FRB-NY	Federal Reserve Bank of New York
FRE	Foreclosed Real Estate Owned
GAAP	Accounting principles generally accepted in the United States
GSE	United States government agencies and government-sponsored enterprises
HTM	Held-to-Maturity
IAL	Individually Analyzed Loan
LOCOM	Lower of Cost or Market
MMDA	Money Market Deposit Accounts
NASDAQ	The Nasdaq Stock Market LLC
NAV	Net Asset Value
NIM	Net Interest Margin
NOW	Negotiable Order of Withdrawal
NRSRO	Nationally Recognized Statistical Rating Organization
Participating Securities	Securities that participate in dividends
PCA	Prompt Corrective Action
PCL	Provision for Credit Losses
PRMC	Pathfinder Risk Management Company, Inc.
QF	Qualitative Factors
RWA	Risk-Weighted Assets
SBA	Small Business Administration
SEC	Securities and Exchange Commission
SOFR	Secured Overnight Financing Rate
U.S.	United States of America
Whispering Oaks	Whispering Oaks Development Corp.

PART I - FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements (Unaudited)

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

(In thousands, except share and per share data)	September 30, 2026	December 31, 2025
Assets		
Cash and due from banks	$ 17,452	$ 11,521
Interest-earning deposits	24,243	19,649
Total cash and cash equivalents	41,695	31,170
Available-for-sale securities, at fair value	359,991	276,815
Held-to-maturity securities, at amortized cost (fair value of $98,602 and $125,198, respectively)	105,629	130,324
Marketable equity securities, at fair value	6,739	6,034
Federal Home Loan Bank stock, at cost	7,033	2,560
Loans held-for-sale	5,700	5,900
Loans, net of deferred fees	873,002	896,670
Less: Allowance for credit losses	22,737	29,436
Loans receivable, net	850,265	867,234
Premises and equipment, net	17,540	18,008
Operating lease right-of-use assets	1,019	1,098
Finance lease right-of-use assets	15,291	15,885
Accrued interest receivable	6,231	6,328
Foreclosed real estate	83	137
Intangible assets, net	4,891	5,362
Goodwill	5,056	5,056
Bank owned life insurance	31,952	31,374
Other assets	32,494	23,351
Total assets	$ 1,491,609	$ 1,426,636
Liabilities		
Interest-bearing deposits	$ 954,817	$ 987,471
Noninterest-bearing deposits	203,694	196,377
Total deposits	1,158,511	1,183,848
Short-term borrowings	150,000	44,000
Long-term borrowings	5,549	14,074
Subordinated debt	30,155	30,155
Accrued interest payable	278	424
Operating lease liabilities	1,236	1,304
Finance lease liabilities	16,108	16,390
Other liabilities	11,007	13,990
Total liabilities	1,372,844	1,304,185
Shareholders' equity		
Voting common stock, par value $0.01; 25,000,000 authorized shares; 4,898,360 and 4,805,361 shares issued and outstanding, respectively	49	48
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	55,901	54,390
Retained earnings	78,622	73,366
Accumulated other comprehensive loss	(15,821)	(5,367)
Total shareholders' equity	118,765	122,451
Total liabilities and shareholders' equity	$ 1,491,609	$ 1,426,636

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

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

(In thousands, except per share data)	For the three months ended, September 30, 2026	September 30, 2025	For the nine months ended, September 30, 2026	September 30, 2025
Interest and dividend income				
Loans, including fees	$ 12,679	$ 13,799	$ 37,606	$ 40,577
Taxable investment securities	5,378	5,307	14,897	16,014
Tax-exempt investment securities	371	455	1,074	1,322
Dividends	100	44	236	158
Federal funds sold and interest earning deposits	116	131	401	288
Total interest and dividend income	18,644	19,736	54,214	58,359
Interest expense				
Interest on deposits	5,889	6,957	18,204	21,220
Interest on short-term borrowings	1,341	566	2,211	1,606
Interest on long-term borrowings	44	127	257	264
Interest on subordinated debt	659	486	1,955	1,444
Total interest expense	7,933	8,136	22,627	24,534
Net interest income	10,711	11,600	31,587	33,825
Provision for (benefit from) credit losses				
Loans	151	3,341	(217)	5,018
Held-to-maturity securities	-	-	(22)	5
Unfunded commitments	80	153	147	125
Total provision for (benefit from) credit losses, net	231	3,494	(92)	5,148
Net interest income after provision for credit losses	10,480	8,106	31,679	28,677
Noninterest income				
Service charges on deposit accounts	391	404	1,148	1,158
Earnings and gain on bank owned life insurance	281	286	867	604
Loan servicing fees	64	113	221	311
Net realized gain (loss) on sales and redemptions of investment securities	39	(12)	34	(20)
Net unrealized gain on marketable equity securities	72	145	95	783
Gain on sales of loans and foreclosed real estate	96	121	377	269
Fair value adjustment to loans held-for-sale [1]	-	-	(203)	(3,064)
Debit card interchange fees	199	217	526	398
Other charges, commissions & fees	255	229	683	743
Total noninterest income	1,397	1,503	3,748	1,182
Noninterest expense				
Salaries and employee benefits	5,611	5,005	15,121	13,980
Building and occupancy	1,351	1,399	4,058	3,976
Data processing	705	641	2,212	1,974
Professional and other services	617	709	1,925	2,093
Advertising	102	86	257	304
FDIC assessments	276	171	712	400
Audits and exams	140	132	419	306
Amortization expense	156	156	470	470
Community service activities	15	10	37	49
Foreclosed real estate expenses	80	26	107	76
Other expenses	301	602	1,390	1,803
Total noninterest expense	9,354	8,937	26,708	25,431
Income before provision for income taxes	2,523	672	8,719	4,428
Provision for income taxes	454	46	1,569	797
Net income	$ 2,069	$ 626	$ 7,150	$ 3,631
Voting Earnings per common share - basic	$ 0.33	$ 0.10	$ 1.13	$ 0.58
Voting Earnings per common share - diluted	$ 0.32	$ 0.10	$ 1.12	$ 0.57
Series A Non-Voting Earnings per common share- basic	$ 0.33	$ 0.10	$ 1.13	$ 0.58
Series A Non-Voting Earnings per common share- diluted	$ 0.32	$ 0.10	$ 1.12	$ 0.57
Dividends per common share (Voting and Series A Non-Voting)	$ 0.10	$ 0.10	$ 0.30	$ 0.30

[1] LOCOM adjustment on loans held-for-sale to the estimated market value based on sale negotiation terms.

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

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

(In thousands)	For the three months ended, September 30, 2026	September 30, 2025	For the nine months ended, September 30, 2026	September 30, 2025
Net income	$ 2,069	$ 626	$ 7,150	$ 3,631
Other Comprehensive (Loss) Income				
Retirement Plans				
Retirement plan net (losses) gains recognized in plan expenses	(2)	35	(4)	102
Net unrealized (losses) gains on retirement plans	(2)	35	(4)	102
Unrealized holding (losses) gains on available-for-sale securities				
Unrealized holding (losses) gains arising during the period	(11,735)	2,216	(13,985)	2,692
Reclassification adjustment for net (losses) gains included in net income	(11)	-	(11)	5
Net unrealized (losses) gains on available-for-sale securities	(11,746)	2,216	(13,996)	2,697
Derivatives and hedging activities				
Unrealized holding losses arising during the period	(26)	(82)	(150)	(245)
Net unrealized losses on derivatives and hedging activities	(26)	(82)	(150)	(245)
Other comprehensive (loss) income, before tax	(11,774)	2,169	(14,150)	2,554
Tax effect	3,076	(568)	3,696	(667)
Other comprehensive (loss) income, net of tax	(8,698)	1,601	(10,454)	1,887
Comprehensive (loss) income	$ (6,629)	$ 2,227	$ (3,304)	$ 5,518
Tax Effect Allocated to Each Component of Other Comprehensive (Income) Loss				
Retirement plan net (gains) losses recognized in plan expenses	$ 1	$ (10)	$ 1	$ (27)
Unrealized holding losses (gains) on available-for-sale securities arising during the period	3,065	(579)	3,653	(703)
Reclassification adjustment for net losses (gains) on available-for-sale securities included in net income	3	-	3	(1)
Unrealized losses on derivatives and hedging arising during the period	7	21	39	64
Income tax effect related to other comprehensive loss (income)	$ 3,076	$ (568)	$ 3,696	$ (667)

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

Pathfinder Bancorp, Inc.
Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

	Three months ended September 30, 2026 and September 30, 2025					
(In thousands, except share and per share data)	Common Stock	Non-Voting Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, June 30, 2026	$ 49	$ 14	$ 55,624	$ 77,180	$ (7,123)	$ 125,744
Net income	-	-	-	2,069	-	2,069
Other comprehensive loss, net of tax	-	-	-	-	(8,698)	(8,698)
Stock based compensation	-	-	277	-	-	277
Voting common stock dividends declared ($0.10 per share)	-	-	-	(489)	-	(489)
Non-Voting common stock dividends declared ($0.10 per share)	-	-	-	(138)	-	(138)
Balance, September 30, 2026	$ 49	$ 14	$ 55,901	$ 78,622	$ (15,821)	$ 118,765
Balance, June 30, 2025	$ 48	$ 14	$ 53,645	$ 79,564	$ (8,858)	$ 124,413
Net income	-	-	-	626	-	626
Other comprehensive income, net of tax	-	-	-	-	1,601	1,601
Stock based compensation	-	-	261	-	-	261
Stock options exercised	-	-	68	-	-	68
Voting common stock dividends declared ($0.10 per share)	-	-	-	(479)	-	(479)
Non-Voting common stock dividends declared ($0.10 per share)	-	-	-	(138)	-	(138)
Warrant dividends declared ($0.10 per share)	-	-	-	(13)	-	(13)
Balance, September 30, 2025	$ 48	$ 14	$ 53,974	$ 79,560	$ (7,257)	$ 126,339

	Nine months ended September 30, 2026 and September 30, 2025					
(In thousands, except share and per share data)	Common Stock	Non-Voting Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, January 1, 2026	$ 48	$ 14	$ 54,390	$ 73,366	$ (5,367)	$ 122,451
Net income	-	-	-	7,150	-	7,150
Other comprehensive loss, net of tax	-	-	-	-	(10,454)	(10,454)
Stock based compensation	-	-	815	-	-	815
Stock options exercised	1	-	696	-	-	697
Voting common stock dividends declared ($0.30 per share)	-	-	-	(1,467)	-	(1,467)
Non-Voting common stock dividends declared ($0.30 per share)	-	-	-	(414)	-	(414)
Warrant dividends declared ($0.10 per share)	-	-	-	(13)	-	(13)
Balance, September 30, 2026	$ 49	$ 14	$ 55,901	$ 78,622	$ (15,821)	$ 118,765
Balance, January 1, 2025	$ 47	$ 14	$ 52,750	$ 77,816	$ (9,144)	$ 121,483
Net income	-	-	-	3,631	-	3,631
Other comprehensive income, net of tax	-	-	-	-	1,887	1,887
Stock based compensation	-	-	695	-	-	695
Stock options exercised	1	-	529	-	-	530
Voting common stock dividends declared ($0.30 per share)	-	-	-	(1,435)	-	(1,435)
Non-Voting common stock dividends declared ($0.30 per share)	-	-	-	(414)	-	(414)
Warrant dividends declared ($0.30 per share)	-	-	-	(38)	-	(38)
Balance, September 30, 2025	$ 48	$ 14	$ 53,974	$ 79,560	$ (7,257)	$ 126,339

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

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

(In thousands)	For the nine months ended September 30, 2026	2025
OPERATING ACTIVITIES		
Net income	$ 7,150	$ 3,631
Adjustments to reconcile net income to net cash flows from operating activities:		
(Benefit from) provision for credit losses	(92)	5,148
Proceeds from sales of loans held-for-sale	12,785	9,243
Originations of loans held-for-sale	(12,408)	(8,974)
Realized (gains) losses on sales, redemptions and calls of:		
Loans	(377)	(269)
Available-for-sale investment securities	(11)	5
Held-to-maturity investment securities	(23)	15
Marketable securities	(95)	(783)
Depreciation	1,136	1,236
Amortization of mortgage servicing rights	17	-
Amortization of deferred loan fees and costs	79	32
Amortization of operating and finance leases, net	323	330
Amortization of deferred financing fees from subordinated debt	-	151
Earnings on bank owned life insurance	(867)	(604)
Net amortization of premiums and discounts on investment securities	(602)	(65)
Net amortization of premiums on intangible assets	430	430
Stock based compensation expense	815	695
Net change in accrued interest receivable	97	383
Net change in other assets and liabilities	(6,041)	(1,596)
Net cash inflows from operating activities	2,316	9,008
INVESTING ACTIVITIES		
Purchase of available-for-sale securities	(164,839)	(57,842)
Purchase of held-to-maturity securities	-	(16,858)
Purchase of marketable securities	(610)	(493)
Purchase of Federal Home Loan Bank stock	(10,967)	(9,758)
Proceeds from redemption of Federal Home Loan Bank stock	6,494	10,860
Proceeds from maturities and principal reductions of available-for-sale securities	65,049	33,326
Proceeds from maturities and principal reductions of held-to-maturity securities	19,369	25,433
Proceeds from sales, redemptions and calls of:		
Available-for-sale securities	1,011	4,389
Held-to-maturity securities	5,250	7,385
Loans held-for-sale	-	3,161
Net change in loans	17,182	13,536
Purchase of premises and equipment	(668)	(987)
Net cash (outflows) inflows from investing activities	(62,729)	12,152
FINANCING ACTIVITIES		
Net change in demand deposits, NOW accounts, savings accounts, money management deposit accounts, MMDA accounts and escrow deposits	43,123	44,510
Net change in time deposits	(37,883)	(9,620)
Net change in brokered deposits	(30,577)	(14,333)
Net change in short-term borrowings	106,000	(23,000)
Payments on long-term borrowings	(8,525)	(19,255)
Proceeds from long-term borrowings	-	10,889
Proceeds from exercise of stock options	697	530
Cash dividends paid to common voting shareholders	(1,458)	(1,429)
Cash dividends paid to common non-voting shareholders	(414)	(414)
Cash dividends paid on warrants	(25)	(38)
Net cash inflows (outflows) from financing activities	70,938	(12,160)
Change in cash and cash equivalents	10,525	9,000
Cash and cash equivalents at beginning of period	31,170	31,572
Cash and cash equivalents at end of period	$ 41,695	$ 40,572
CASH PAID DURING THE PERIOD FOR:		
Interest	$ 22,773	$ 23,946
Income taxes	1,500	500
NON-CASH INVESTING ACTIVITY		
Fair value adjustment to loans held-for-sale	(203)	-

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 the Company, the Bank and its other wholly owned subsidiaries have been prepared in accordance with GAAP for interim financial information, the instructions for Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes necessary for a complete presentation of consolidated financial condition, results of operations and cash flows in conformity with GAAP. 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 2025 consolidated financial statements may have been reclassified to conform to the current period presentation. These reclassifications had no effect on net income or comprehensive income as previously reported. Operating results for the three and nine months ended September 30, 2026 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2026 or any other interim period.

The Company's consolidated financial statements are prepared in accordance with GAAP and follow practices within the banking industry. Application of these principles requires management to make estimates, assumptions, and judgments that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates, assumptions, and judgments are based on information available as of the date of the consolidated financial statements; accordingly, as this information changes, the consolidated financial statements could reflect different estimates, assumptions, and judgments. Certain accounting policies inherently have a greater reliance on the use of estimates, assumptions, and judgments and as such, have a greater possibility of producing results that could be materially different than originally reported. Estimates, assumptions, and judgments are necessary when assets and liabilities are required to be recorded at fair value or when an asset or liability needs to be recorded contingent upon a future event. Carrying assets and liabilities at fair value inherently results in more financial statement volatility. The fair values and information used to record valuation adjustments for certain assets and liabilities are based on quoted market prices or are provided by unaffiliated third-party sources, when available. When third party information is not available, valuation adjustments are estimated in good faith by management.

Note 2: New Accounting Pronouncements

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

Standards Not Yet Adopted as of September 30, 2026

Standard	Description	Required Date of Implementation	Effect on Consolidated Financial Statements
Income Statement ASU 2024-03 *(Subtopic 220-40): Disaggregation of Income Statement Expenses*	ASU 2024-03 was issued to address requests from investors for more detailed information about the types of expenses in commonly presented income statement captions. The ASU requires new financial statement disclosures, disaggregating certain expense categories, such as compensation, depreciation, and amortization of intangible assets. This disaggregation is to be presented in a tabular format and aims to provide enhanced transparency into the relevant components of income statement expenses.	Fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027.	Management is evaluating the adoption of the ASU but does not expect it will have a material impact to the Company's consolidated financial statements.
Financial Instruments - Credit Losses ASU 2025-08 *(Topic 326): Purchased Loans*	ASU 2025-08 simplifies accounting for acquired loans under CECL framework by expanding use of the gross-up method to a new category of purchased seasoned loans ("PSLs"). PSLs are acquired loans purchased more than 90 days after origination (or acquired in a business combination) when the acquirer was not involved in origination. For PSLs, an ACL is recorded at acquisition with an equal increase to amortized cost, eliminating Day 1 credit loss expense. Excludes credit cards, Topic 606 trade receivables, and debt securities.	The amendments in this update are effective for all entities for annual reporting periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods.	Management is evaluating the adoption of the ASU but does not expect it will have a material impact to the Company's consolidated financial statements.
Derivatives and Hedging ASU 2025-09 *(Topic 815): Hedge Accounting Improvements*	Provides targeted updates including a new “similar risk exposure” criterion for grouping forecasted transactions in cash flow hedges, an optional model for hedging forecasted interest payments on choose-your-rate debt, expanded eligibility to hedge price components and subcomponents of nonfinancial forecasted transactions using the clearly-and-closely-related principle, revised eligibility for certain compound derivatives containing written options, and corrected effectiveness assessment for dual hedges involving foreign-currency-denominated debt.	Public business entities are required to apply this guidance to annual reporting periods beginning after December 15, 2026, and interim periods within those annual reporting periods.	Management is evaluating the adoption of the ASU but does not expect it will have a material impact to the Company's consolidated financial statements.
Codification Improvements ASU 2025-12	Makes targeted technical corrections and clarifications across the codification to address unintended application, outdated references, and minor inconsistencies. The ASU affects 33 issues spanning multiple topics, including EPS, beneficial interests, receivables, transfers and servicing, and not-for-profit accounting, and generally is not expected to significantly change current practice.	The amendments in this update are effective for all entities for annual reporting periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods.	Management is evaluating the adoption of the ASU but does not expect it will have a material impact to the Company's consolidated financial statements.

Note 3: Earnings per Common Share

Following shareholder approval received on June 4, 2021, the Company converted 1,380,283 shares of its 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 and non-voting common stock that are eligible to participate in dividends on an equal per share basis. Prior to their expiration on May 8, 2026, the Company also had warrants that participated in dividends on the same basis. 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 EPS 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.

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 for the three and nine months ended September 30, 2026 and 2025.

The following table sets forth the calculation of basic and diluted EPS:

	Three months ended September 30,		Nine months ended September 30,	
(In thousands, except per share data)	**2026**	**2025**	**2026**	**2025**
Net income	$ 2,069	$ 626	$ 7,150	$ 3,631
Series A Non-Voting Common Stock dividends	138	138	414	414
Warrant dividends	-	13	13	38
Undistributed earnings (losses) allocated to Participating Securities	317	(1)	1,197	418
Net income available to common shareholders - Voting	$ 1,614	$ 476	$ 5,526	$ 2,761
Net income	$ 2,069	$ 626	$ 7,150	$ 3,631
Voting Common Stock dividends	489	479	1,467	1,435
Warrant dividends	-	13	13	38
Undistributed earnings (losses) allocated to Participating Securities	1,125	(3)	4,107	1,360
Net income available to common shareholders - Non-Voting	$ 455	$ 137	$ 1,563	$ 798
Basic weighted average common shares outstanding - Voting	4,898	4,790	4,876	4,769
Basic weighted average common shares outstanding - Series A Non-Voting	1,380	1,380	1,380	1,380
Diluted weighted average common shares outstanding - Voting	4,995	4,842	4,946	4,821
Diluted weighted average common shares outstanding - Series A Non-Voting	1,380	1,380	1,380	1,380
Basic and diluted earnings per common share - Voting	$ 0.33	$ 0.10	$ 1.13	$ 0.58
Basic and diluted earnings per common share - Series A Non-Voting	$ 0.33	$ 0.10	$ 1.13	$ 0.58
Diluted earnings per common share - Voting	$ 0.32	$ 0.10	$ 1.12	$ 0.57
Diluted earnings per common share - Series A Non-Voting	$ 0.32	$ 0.10	$ 1.12	$ 0.57

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Note 4: Investment Securities

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

	September 30, 2026			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-Sale Portfolio				
Debt investment securities:				
U.S. Treasury, agencies and GSEs	$ 60,079	$ 77	$ (3,758)	$ 56,398
State and political subdivisions	34,243	-	(4,368)	29,875
Corporate	8,291	175	(148)	8,318
Asset backed securities	11,416	5	(32)	11,389
Residential mortgage-backed - U.S. agency	120,718	83	(7,422)	113,379
Collateralized mortgage obligations - U.S. agency	30,494	9	(1,875)	28,628
Collateralized mortgage obligations - Private label	114,366	72	(2,640)	111,798
Total	379,607	421	(20,243)	359,785
Equity investment securities:				
Common stock - financial services industry	206	-	-	206
Total	206	-	-	206
Total available-for-sale	$ 379,813	$ 421	$ (20,243)	$ 359,991
Held-to-Maturity Portfolio				
Debt investment securities:				
U.S. Treasury, agencies and GSEs	$ 3,521	$ -	$ (278)	$ 3,243
State and political subdivisions	14,332	-	(1,745)	12,587
Corporate	20,369	1	(1,353)	19,017
Asset backed securities	8,790	-	(958)	7,832
Residential mortgage-backed - U.S. agency	7,393	32	(669)	6,756
Collateralized mortgage obligations - U.S. agency	9,565	-	(1,241)	8,324
Collateralized mortgage obligations - Private label	41,813	168	(1,138)	40,843
Total	105,783	201	(7,382)	98,602
Less: Allowance for credit losses	154	-	-	-
Total held-to-maturity, net of allowance for credit losses	$ 105,629	$ 201	$ (7,382)	$ 98,602

	December 31, 2025			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-Sale Portfolio				
Debt investment securities:				
U.S. Treasury, agencies and GSEs	$ 67,067	$ 408	$ (2,460)	$ 65,015
State and political subdivisions	35,580	94	(1,756)	33,918
Corporate	7,737	286	(81)	7,942
Asset backed securities	15,705	19	(112)	15,612
Residential mortgage-backed - U.S. agency	49,632	437	(1,054)	49,015
Collateralized mortgage obligations - U.S. agency	18,882	183	(682)	18,383
Collateralized mortgage obligations - Private label	87,832	513	(1,621)	86,724
Total	282,435	1,940	(7,766)	276,609
Equity investment securities:				
Common stock - financial services industry	206	-	-	206
Total	206	-	-	206
Total available-for-sale	$ 282,641	$ 1,940	$ (7,766)	$ 276,815
Held-to-Maturity Portfolio				
Debt investment securities:				
U.S. Treasury, agencies and GSEs	$ 3,559	$ -	$ (162)	$ 3,397
State and political subdivisions	14,594	22	(1,241)	13,375
Corporate	25,530	14	(1,345)	24,199
Asset backed securities	15,064	16	(874)	14,206
Residential mortgage-backed - U.S. agency	7,640	42	(371)	7,311
Collateralized mortgage obligations - U.S. agency	10,035	2	(913)	9,124
Collateralized mortgage obligations - Private label	54,078	294	(786)	53,586
Total	130,500	390	(5,692)	125,198
Less: Allowance for credit losses	176	-	-	-
Total held-to-maturity, net of allowance for credit losses	$ 130,324	$ 390	$ (5,692)	$ 125,198

The amortized cost and estimated fair value of debt securities at September 30, 2026 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties. Amounts disclosed are gross values and do not include ACL.

	Available-for-Sale		Held-to-Maturity	
(In thousands)	**Amortized Cost**	**Estimated Fair Value**	**Amortized Cost**	**Estimated Fair Value**
Due in one year or less	$ 4,197	$ 4,368	$ 1,677	$ 1,665
Due after one year through five years	31,958	28,861	20,119	19,426
Due after five years through ten years	12,151	11,063	11,022	9,594
Due after ten years	65,723	61,688	14,194	11,994
Sub-total	114,029	105,980	47,012	42,679
Residential mortgage-backed - U.S. agency	120,718	113,379	7,393	6,756
Collateralized mortgage obligations - U.S. agency	30,494	28,628	9,565	8,324
Collateralized mortgage obligations - Private label	114,366	111,798	41,813	40,843
Totals	$ 379,607	$ 359,785	$ 105,783	$ 98,602

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

	September 30, 2026								
	Less than Twelve Months			Twelve Months or More			Total		
(Dollars 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									
U.S. Treasury, agencies and GSEs	5	$ (723)	$ 27,614	7	$ (3,035)	$ 24,484	12	$ (3,758)	$ 52,098
State and political subdivisions	8	(39)	1,922	23	(4,329)	27,954	31	(4,368)	29,876
Corporate	2	(43)	1,442	1	(105)	654	3	(148)	2,096
Asset backed securities	4	(14)	6,005	4	(18)	2,362	8	(32)	8,367
Residential mortgage-backed - U.S. agency	43	(5,353)	90,405	12	(2,069)	13,601	55	(7,422)	104,006
Collateralized mortgage obligations - U.S. agency	10	(1,020)	19,390	12	(855)	6,757	22	(1,875)	26,147
Collateralized mortgage obligations - Private label	36	(885)	74,513	17	(1,755)	20,220	53	(2,640)	94,733
Totals	108	$ (8,077)	$ 221,291	76	$ (12,166)	$ 96,032	184	$ (20,243)	$ 317,323
Held-to-Maturity Portfolio									
U.S. Treasury, agencies and GSEs	-	$ -	$ -	2	$ (278)	$ 3,244	2	$ (278)	$ 3,244
State and political subdivisions	8	(26)	1,870	12	(1,719)	10,717	20	(1,745)	12,587
Corporate	2	(68)	1,424	12	(1,285)	11,377	14	(1,353)	12,801
Asset backed securities	-	-	-	5	(958)	4,679	5	(958)	4,679
Residential mortgage-backed - U.S. agency	1	(205)	2,656	5	(464)	3,067	6	(669)	5,723
Collateralized mortgage obligations - U.S. agency	1	(1)	205	8	(1,240)	8,118	9	(1,241)	8,323
Collateralized mortgage obligations - Private label	8	(206)	15,197	13	(932)	16,610	21	(1,138)	31,807
Totals	20	$ (506)	$ 21,352	57	$ (6,876)	$ 57,812	77	$ (7,382)	$ 79,164

(Dollars in thousands)	December 31, 2025								
	Less than Twelve Months			Twelve Months or More			Total		
	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									
U.S. Treasury, agencies and GSEs	1	$ (63)	$ 17,336	8	$ (2,397)	$ 26,573	9	$ (2,460)	$ 43,909
State and political subdivisions	-	-	-	21	(1,756)	27,811	21	(1,756)	27,811
Corporate	-	-	-	1	(81)	676	1	(81)	676
Asset backed securities	5	(28)	8,009	6	(84)	5,199	11	(112)	13,208
Residential mortgage-backed - U.S. agency	1	(43)	1,594	15	(1,011)	19,946	16	(1,054)	21,540
Collateralized mortgage obligations - U.S. agency	1	(6)	1,653	11	(676)	6,156	12	(682)	7,809
Collateralized mortgage obligations - Private label	15	(72)	24,918	17	(1,549)	18,869	32	(1,621)	43,787
Totals	23	$ (212)	$ 53,510	79	$ (7,554)	$ 105,230	102	$ (7,766)	$ 158,740
Held-to-Maturity Portfolio									
U.S. Treasury, agencies and GSEs	-	$ -	$ -	2	$ (162)	$ 3,397	2	$ (162)	$ 3,397
State and political subdivisions	2	(1)	296	12	(1,240)	11,304	14	(1,241)	11,600
Corporate	-	-	-	18	(1,345)	15,475	18	(1,345)	15,475
Asset backed securities	-	-	-	6	(874)	6,637	6	(874)	6,637
Residential mortgage-backed - U.S. agency	1	(20)	2,868	5	(351)	3,296	6	(371)	6,164
Collateralized mortgage obligations - U.S. agency	-	-	-	8	(913)	8,776	8	(913)	8,776
Collateralized mortgage obligations - Private label	3	(23)	5,505	15	(763)	20,011	18	(786)	25,516
Totals	6	$ (44)	$ 8,669	66	$ (5,648)	$ 68,896	72	$ (5,692)	$ 77,565

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 and 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 AFS or HTM is less than its amortized cost basis, an assessment is made as to whether or not a charge to current earnings for credit losses is required. In assessing potential credit losses, management also makes a quantitative determination of potential credit losses for all HTM securities even if the risk of credit loss is considered remote and uses a best estimate threshold for securities categorized as AFS. The Company considers numerous factors when determining whether a potential credit loss exists. The principal factors considered are (1) the financial condition of the issue and (guarantor, if any) any adverse conditions specifically related to the security, industry or geographic area, (2) failure of the issuer of the security to make scheduled interest or principal payments, (3) any changes to the rating of the security by a 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 AOCI, except for the credit-related portion of debt securities' credit losses, if any, which are charged to earnings. The Company's ability to fully realize the value of its investments in various securities, including corporate debt securities, is dependent on the underlying creditworthiness of the issuing organization. In evaluating the debt securities portfolio (both AFS and HTM) for credit losses, management considers (1) if we intend to sell the security; (2) if it is "more likely than not" we will be required to sell the security before recovery of its amortized cost basis; or (3) if the present value of expected cash flows is insufficient to recover the entire amortized cost basis.

The portion of the investment securities portfolio, categorized as AFS, with an aggregate amortized historical cost of $379.8 million, had an aggregate fair value that was less than its aggregate amortized historical cost by $19.8 million, decreasing 5.2%, at September 30, 2026. The AFS securities portfolio, with an aggregate amortized historical cost of $282.6 million, had an aggregate fair value that was less than its aggregate amortized historical cost by $5.8 million, or a decrease of 2.1%, at December 31, 2025. The resultant $14.0 million increase in the difference between aggregate amortized cost and aggregate fair value of the AFS investment portfolio during the nine months ended September 30, 2026, was primarily due to changes in the interest rate environment (the general interest rate level and the relationships between shorter-term and longer-term interest rates, known as the "yield curve") that occurred in that period. These changes in aggregate fair value relative to aggregate amortized historical cost that occurred in the nine months ended September 30, 2026 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 $105.8 million, had an aggregate fair value that was less than its aggregate amortized historical cost by $7.2 million, decreasing 6.8%, at September 30, 2026. The portion of the investment securities portfolio, categorized as HTM, with an aggregate amortized historical cost of $130.5 million, had an aggregate fair value that was less than its aggregate amortized historical cost by $5.3 million, or a decrease of 4.1%, at December 31, 2025. The resultant $1.9 million increase in the difference between aggregate amortized cost and aggregate fair value of the HTM investment portfolio during the nine months ended September 30, 2026, was primarily due to changes in the interest rate environment (the general interest rate level and the relationships between shorter-term and longer-term interest rates, known as the "yield curve") that occurred in that period. These changes in aggregate fair value relative to aggregate amortized historical cost that occurred in the nine months ended September 30, 2026 did not represent any changes in credit loss estimations within the portfolio. The Company does not intend to sell these securities, nor is it more likely than not that the Company will be required to sell these securities prior to the recovery of the amortized cost.

The following tables represent a rollforward of the ACL on investment securities classified as HTM for the three months ended September 30, 2026 and 2025:

(In thousands)	Government Issued and Government Sponsored Enterprise Securities	Mortgage and Asset-backed Securities	Securities Issued by State and Political Subdivisions	Corporate Securities	Total
Balance, June 30, 2026	$ -	$ 40	$ 1	$ 113	$ 154
(Benefit from) provision for credit losses	-	-	-	-	-
Allowance on purchased financial assets with credit deterioration	-	-	-	-	-
Charge-offs of securities	-	-	-	-	-
Recoveries	-	-	-	-	-
Balance, September 30, 2026	$ -	$ 40	$ 1	$ 113	$ 154

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

The following tables represent a rollforward of the ACL on investment securities classified as HTM for the nine months ended September 30, 2026 and 2025:

(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, 2025	$ -	$ -	$ 1	$ 175	$ 176
(Benefit from) provision for credit losses	-	40	-	(62)	(22)
Allowance on purchased financial assets with credit deterioration	-	-	-	-	-
Charge-offs of securities	-	-	-	-	-
Recoveries	-	-	-	-	-
Balance, September 30, 2026	$ -	$ 40	$ 1	$ 113	$ 154

(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	-	-	-	5	5
Allowance on purchased financial assets with credit deterioration	-	-	-	-	-
Charge-offs of securities	-	-	-	-	-
Recoveries	-	-	-	-	-
Balance, September 30, 2025	$ -	$ -	$ 1	$ 261	$ 262

The Company monitors the credit quality of the debt securities categorized as HTM primarily through the use of NRSRO credit ratings. These assessments are made on a quarterly basis. The following tables summarize the amortized cost of debt securities categorized as HTM at September 30, 2026 and December 31, 2025, aggregated by credit quality indicators:

(In thousands)	September 30, 2026	December 31, 2025
AAA or equivalent	$ 28,174	$ 36,521
AA or equivalent, including securities issued by the United States Government or Government Sponsored Enterprises	35,827	32,443
A or equivalent	3,299	9,204
BBB or equivalent	4,466	7,488
BB or equivalent	1,493	1,490
Unrated	32,524	43,354
Total	$ 105,783	$ 130,500

Gross realized gains and losses on sales and redemptions of AFS and HTM securities for the indicated periods are detailed below:

	For the three months ended September 30,		For the nine months ended September 30,	
(In thousands)	2026	2025	2026	2025
Realized gains on investments	$ 50	$ -	$ 50	$ -
Realized losses on investments	(11)	(12)	(16)	(20)
Total net realized gains (losses)	$ 39	$ (12)	$ 34	$ (20)

As of September 30, 2026 and December 31, 2025, securities with a fair value of $137.9 million and $118.3 million, respectively, were pledged to collateralize certain municipal deposit relationships. As of the same dates, securities with a fair value of $220.7 million and $121.3 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:

	For the three months ended September 30,				For the nine months ended September 30,			
	Pension Benefits		Postretirement Benefits		Pension Benefits		Postretirement Benefits	
(In thousands)	2026	2025	2026	2025	2026	2025	2026	2025
Service cost	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest cost	141	143	2	1	423	431	6	5
Expected return on plan assets	(274)	(255)	-	-	(822)	(767)	-	-
Amortization of prior service credits	-	-	(2)	(1)	-	-	(4)	(4)
Amortization of net losses (gains)	-	36	-		-	107	-	(1)
Net periodic benefit plan (benefit) cost	$ (133)	$ (76)	$ -	$ -	$ (399)	$ (229)	$ 2	$ -

The Company will evaluate the need for further contributions to the defined benefit pension plan during 2026. The prepaid pension asset of $9.6 million and $9.2 million as of September 30, 2026 and December 31, 2025 respectively, is recorded in other assets on the consolidated statements of condition.

Note 6: Loans

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

(In thousands)	September 30, 2026	December 31, 2025
Residential mortgage loans:		
1-4 family first-lien residential mortgages	$ 230,661	$ 239,692
Construction	2,150	2,039
Total residential mortgage loans	232,811	241,731
Commercial loans:		
Real estate	388,436	380,311
Lines of credit	73,240	75,371
Other commercial and industrial	69,406	81,210
Paycheck Protection Program loans	31	63
Tax exempt loans	506	6,716
Total commercial loans	531,619	543,671
Consumer loans:		
Home equity and junior liens	55,157	49,783
Other consumer	54,137	62,825
Total consumer loans	109,294	112,608
Subtotal loans	873,724	898,010
Net deferred loan fees	(722)	(1,340)
Loans, net of deferred fees	873,002	896,670
Less allowance for credit losses	22,737	29,436
Loans receivable, net	$ 850,265	$ 867,234

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

Periodically, the Bank acquires diversified pools of loans and participation interests in credit facilities, originated by unrelated third parties, as part of the Company's overall balance sheet management strategies. The following tables detail the purchased loan positions held by the Bank at September 30, 2026 and December 31, 2025. The date of earliest acquisition is depicted within the tables below:

	September 30, 2026					
(In thousands, except number of loans)	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	$ 300	$ -	9	1-3	$ -
Home equity lines of credit (8/2019)	21,900	2,330	-	65	3-23	24
Residential real estate loans (12/2019)	4,300	3,650	241	50	15-25	-
Unsecured consumer loan pool 1 (12/2019)	5,400	-	-	-	-	-
Unsecured consumer installment loans pool 3 (12/2019)	10,300	30	-	7	0-6	138
Secured consumer installment loans pool 4 (12/2020)	14,500	7,400	(1,085)	387	19-23	391
Unsecured consumer loans pool 5 (1/2021) [1]	24,400	9,590	(275)	476	5-20	1,603
Secured consumer installment loans (11/2021)	21,300	13,500	(2,341)	671	15-23	1,244
Unsecured consumer loans pool 6 (11/2021) [1]	22,200	12,220	(1,653)	432	5-22	1,724
Revolving commercial line of credit 1 (7/2024)	1,050	6,260	33	1	0-1	-
Revolving commercial line of credit 2 (3/2026)	5,000	5,540	7	1	0-1	-
Revolving commercial line of credit 3 (5/2026)	11	770	8	1	0-1	-
Total	$ 137,161	$ 61,590	$ (5,065)	2,100		$ 5,124

	December 31, 2025					
(In thousands, except number of loans)	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	$ 700	$ -	16	1-4	$ -
Home equity lines of credit (8/2019)	21,900	2,700	2	74	3-24	103
Residential real estate loans (12/2019)	4,300	3,900	266	51	15-23	-
Unsecured consumer loan pool 1 (12/2019)	5,400	100	-	29	0-1	
Unsecured consumer installment loans pool 3 (12/2019)	10,300	45	1	31	0-7	112
Secured consumer installment loans pool 4 (12/2020)	14,500	8,100	(1,189)	452	20-23	24
Unsecured consumer loans pool 5 (1/2021) [1]	24,400	10,800	(313)	552	5-20	1,361
Secured consumer installment loans (11/2021)	21,300	14,700	(2,537)	771	15-23	803
Unsecured consumer loans pool 6 (11/2021) [1]	22,200	13,500	(1,822)	490	5-20	1,573
Revolving commercial line of credit 1 (7/2024)	1,050	14,000	19	1	0-1	-
Total	$ 132,150	$ 68,545	$ (5,573)	2,467		$ 3,976

[1] On December 7, 2023, the Bank settled two pay-fixed interest rate swap derivative contracts, previously established with an unaffiliated third party and designated as fair value interest rate hedges. The hedging swap contracts were related to two purchased consumer installment loan pools comprised of loans secured by residential home solar power infrastructure. These contracts were entered into on February 13, 2021 (notional amount of $12.2 million) and December 8, 2021 (notional amount of $8.5 million). The Bank realized gains related to the settlement of these two hedging contracts were $117,000 and $694,000, respectively. These gains on the extinguishments of the hedging swap contracts are reported as a reduction of the carrying value of the hedged loan pools and will be recognized as an enhancement to the reported yield on those loan pools over the original contractual life of the hedging swap contracts. The unamortized portion of these gains totaled $545,000 at September 30, 2026.

At September 30, 2026 and December 31, 2025, the ACL related to the purchased loan pools were $1.8 million and $2.8 million, respectively.

As of September 30, 2026, the Company had $103.4 million in residential and commercial real estate mortgage loans pledged to FHLB-NY, and $8.6 million in home equity loans pledged to the FRB-NY.

As of December 31, 2025, the Company had $108.4 million in residential and commercial real estate mortgage loans pledged to FHLB-NY, and $9.9 million in home equity loans pledged to FRB-NY.

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 2025 Annual Report filed with the SEC on March 30, 2026 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 ACL, 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 ACL. Unique characteristics such as borrower type, loan type, collateral type, and risk characteristics define each class.

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

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

The following tables present the classes of the loan portfolio as of September 30, 2026, 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)	**2026**	**2025**	**2024**	**2023**	**2022**	**Prior**	**Revolving loans**	**Revolving loans converted to term loans**	**Total**
Commercial real estate:									
Pass	$ 23,481	$ 57,062	$ 41,920	$ 28,888	$ 45,313	$ 141,982	$ -	$ -	$ 338,646
Special Mention	-	-	6,016	11,860	671	8,942	-	-	27,489
Substandard	-	3,474	129	-	66	9,035	-	-	12,704
Doubtful	-	-	-	1,226	7,180	1,191	-	-	9,597
Total commercial real estate	23,481	60,536	48,065	41,974	53,230	161,150	-	-	388,436
Commercial lines of credit:									
Pass	-	-	-	-	-	-	62,554	3,566	66,120
Special Mention	-	-	-	-	-	-	5,878	-	5,878
Substandard	-	-	-	-	-	-	1,019	223	1,242
Doubtful	-	-	-	-	-	-	-	-	-
Total commercial lines of credit	-	-	-	-	-	-	69,451	3,789	73,240
Other commercial and industrial:									
Pass	5,909	12,007	11,660	8,883	9,572	11,200	2,163	-	61,394
Special Mention	-	848	984	1,843	2	613	-	-	4,290
Substandard	-	-	258	288	-	1,481	-	-	2,027
Doubtful	-	-	-	118	-	1,577	-	-	1,695
Total other commercial and industrial	5,909	12,855	12,902	11,132	9,574	14,871	2,163	-	69,406
Paycheck Protection Program loans:									
Pass	-	-	-	-	-	31	-	-	31
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total Paycheck Protection Program loans	-	-	-	-	-	31	-	-	31
Tax exempt loans:									
Pass	-	150	1	-	-	355	-	-	506
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total tax exempt loans	-	150	1	-	-	355	-	-	506
1-4 family first-lien residential mortgages:									
Pass	12,376	12,084	9,689	13,140	24,236	154,084	-	-	225,609
Special Mention	-	-	-	-	252	2,172	-	-	2,424
Substandard	-	-	-	-	-	1,241	-	-	1,241
Doubtful	-	123	-	107	-	1,157	-	-	1,387
Total 1-4 family first-lien residential mortgages	12,376	12,207	9,689	13,247	24,488	158,654	-	-	230,661
Residential construction:									
Pass	1,951	199	-	-	-	-	-	-	2,150
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total residential construction	1,951	199	-	-	-	-	-	-	2,150
Home equity and junior liens:									
Pass	4,670	1,642	2,143	2,698	2,451	10,721	27,932	1,192	53,449
Special Mention	-	-	-	53	242	85	112	-	492
Substandard	-	-	-	39	27	202	835	6	1,109
Doubtful	-	-	-	-	-	107	-	-	107
Total home equity and junior liens	4,670	1,642	2,143	2,790	2,720	11,115	28,879	1,198	55,157
Other Consumer:									
Pass	1,420	1,924	1,685	44,439	1,814	2,637	-	-	53,919
Special Mention	2	16	25	24	8	80	-	-	155
Substandard	-	-	-	-	-	63	-	-	63
Doubtful	-	-	-	-	-	-	-	-	-
Total other consumer	1,422	1,940	1,710	44,463	1,822	2,780	-	-	54,137
Net deferred loan fees	211	49	36	(11)	(161)	(846)	-	-	(722)
Loans, net of deferred fees	$ 50,020	$ 89,578	$ 74,546	$ 113,595	$ 91,673	$ 348,110	$ 100,493	$ 4,987	$ 873,002

The following tables present the classes of the loan portfolio as of December 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	$ 49,693	$ 42,604	$ 29,527	$ 51,634	$ 35,764	$ 121,653	$ -	$ -	$ 330,875
Special Mention	-	6,113	11,761	7,747	-	4,875	-	-	30,496
Substandard	3,474	830	1,235	2,220	8,456	2,674	-	-	18,889
Doubtful	-	-	-	-	-	51	-	-	51
Total commercial real estate	53,167	49,547	42,523	61,601	44,220	129,253	-	-	380,311
Commercial lines of credit:									
Pass	-	-	-	-	-	-	64,594	2,516	67,110
Special Mention	-	-	-	-	-	-	6,080	-	6,080
Substandard	-	-	-	-	-	-	2,119	47	2,166
Doubtful	-	-	-	-	-	-	15	-	15
Total commercial lines of credit	-	-	-	-	-	-	72,808	2,563	75,371
Other commercial and industrial:									
Pass	14,970	14,164	12,205	11,416	2,234	12,413	999	-	68,401
Special Mention	959	1,422	2,013	-	21	1,339	-	-	5,754
Substandard	-	189	310	-	9	4,192	-	-	4,700
Doubtful	-	-	2,355	-	-	-	-	-	2,355
Total other commercial and industrial	15,929	15,775	16,883	11,416	2,264	17,944	999	-	81,210
Paycheck Protection Program loans:									
Pass	-	-	-	-	-	63	-	-	63
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total Paycheck Protection Program loans	-	-	-	-	-	63	-	-	63
Tax exempt loans:									
Pass	2,619	4	-	-	-	4,093	-	-	6,716
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total tax exempt loans	2,619	4	-	-	-	4,093	-	-	6,716
1-4 family first-lien residential mortgages:									
Pass	14,993	10,769	14,905	26,481	42,090	125,533	-	-	234,771
Special Mention	123	-	-	160	949	1,317	-	-	2,549
Substandard	-	-	107	100	89	1,429	-	-	1,725
Doubtful	-	-	-	-	-	647	-	-	647
Total 1-4 family first-lien residential mortgages	15,116	10,769	15,012	26,741	43,128	128,926	-	-	239,692
Residential construction:									
Pass	2,039	-	-	-	-	-	-	-	2,039
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total residential construction	2,039	-	-	-	-	-	-	-	2,039
Home equity and junior liens:									
Pass	4,623	2,502	3,298	2,694	2,517	10,459	21,313	883	48,289
Special Mention	-	-	41	205	-	66	64	6	382
Substandard	-	-	-	27	-	208	865	-	1,100
Doubtful	-	-	-	-	12	-	-	-	12
Total home equity and junior liens	4,623	2,502	3,339	2,926	2,529	10,733	22,242	889	49,783
Other Consumer:									
Pass	2,738	2,407	51,295	2,665	1,414	2,033	-	-	62,552
Special Mention	10	27	11	13	-	91	-	-	152
Substandard	-	40	4	12	65	-	-	-	121
Doubtful	-	-	-	-	-	-	-	-	-
Total other consumer	2,748	2,474	51,310	2,690	1,479	2,124	-	-	62,825
Net deferred loan fees	(371)	62	(9)	(170)	(158)	(694)	-	-	(1,340)
Loans, net of deferred fees	$ 95,870	$ 81,133	$ 129,058	$ 105,204	$ 93,462	$ 292,442	$ 96,049	$ 3,452	$ 896,670

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

Nonaccrual and Past Due Loans

Loans are considered past due if the required principal and interest payments have not been received within thirty days of the payment due date. Loans are placed on nonaccrual when the contractual payment of principal and interest has become 90 days past due or when management has serious doubts about further collectability of principal or interest, even though the loan may be currently performing.
An aging analysis of past due loans, not including net deferred loan costs, segregated by portfolio segment and class of loans, as of September 30, 2026 and December 31, 2025, are detailed in the following tables:

	As of September 30, 2026					
(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	4,487	1,491	1,895	$ 7,873	$ 222,788	$ 230,661
Construction	-	-	-	-	2,150	2,150
Total residential mortgage loans	4,487	1,491	1,895	7,873	224,938	232,811
Commercial loans:						
Real estate	1,282	50	22,032	23,364	365,072	388,436
Lines of credit	57	146	953	1,156	72,084	73,240
Other commercial and industrial	1,612	195	2,787	4,594	64,812	69,406
Paycheck Protection Program loans	-	-	-	-	31	31
Tax exempt loans	-	-	-	-	506	506
Total commercial loans	2,951	391	25,772	29,114	502,505	531,619
Consumer loans:						
Home equity and junior liens	670	377	640	1,687	53,470	55,157
Other consumer	731	530	587	1,848	52,289	54,137
Total consumer loans	1,401	907	1,227	3,535	105,759	109,294
Total loans	$ 8,839	$ 2,789	$ 28,894	$ 40,522	$ 833,202	$ 873,724

	As of December 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	$ 2,871	$ 2,934	$ 1,977	$ 7,782	$ 231,910	$ 239,692
Construction	-	-	-	-	2,039	2,039
Total residential mortgage loans	2,871	2,934	1,977	7,782	233,949	241,731
Commercial loans:						
Real estate	9,042	7,461	15,567	32,070	348,241	380,311
Lines of credit	444	-	1,135	1,579	73,792	75,371
Other commercial and industrial	315	508	7,914	8,737	72,473	81,210
Paycheck Protection Program loans	-	-	-	-	63	63
Tax exempt loans	-	-	-	-	6,716	6,716
Total commercial loans	9,801	7,969	24,616	42,386	501,285	543,671
Consumer loans:						
Home equity and junior liens	615	229	537	1,381	48,402	49,783
Other consumer	649	399	431	1,479	61,346	62,825
Total consumer loans	1,264	628	968	2,860	109,748	112,608
Total loans	$ 13,936	$ 11,531	$ 27,561	$ 53,028	$ 844,982	$ 898,010

As of September 30, 2026 and December 31, 2025, the amount of interest income recognized on nonaccrual loans and the cost basis of nonaccrual loans, for which there is no ACL, are detailed in the following tables. All loans greater than 90 days past due are classified as nonaccrual.

	As of and for the nine months ended September 30, 2026		
(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	$ 1,895	$ -	$ 32
Total residential mortgage loans	1,895	-	32
Commercial loans:			
Real estate	22,032	11,267	35
Lines of credit	953	-	30
Other commercial and industrial	4,149	1,531	73
Total commercial loans	27,134	12,798	138
Consumer loans:			
Home equity and junior liens	640	-	7
Other consumer	587	-	14
Total consumer loans	1,227	-	21
Total nonaccrual loans	$ 30,256	$ 12,798	$ 191

	As of and for the year ended December 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	$ 1,977	$ -	$ 108
Total residential mortgage loans	1,977	-	108
Commercial loans:			
Real estate	15,567	4,853	428
Lines of credit	1,135	-	109
Other commercial and industrial	7,914	-	449
Total commercial loans	24,616	4,853	986
Consumer loans:			
Home equity and junior liens	537	-	44
Other consumer	431	-	20
Total consumer loans	968	-	64
Total nonaccrual loans	$ 27,561	$ 4,853	$ 1,158

At September 30, 2026, the Bank's 89 nonperforming loans represented 3.5% of total loans, with an aggregate outstanding balance of $30.3 million, as compared to 88 loans, representing 3.1% of total loans, with an aggregate outstanding balance of $27.6 million at December 31, 2025. The increase primarily reflected certain legacy loans associated with two commercial relationships that may have been less than 90 days delinquent but were identified as having unique risk characteristics through the Company’s previously disclosed comprehensive review of approximately 90% of the Bank’s commercial portfolio in 2025. Specific reserves for these exposures were established prior to 2026.

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 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 ACL.

Loans Modified with Borrowers Experiencing Financial Difficulty

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

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

The following tables present the amortized cost basis of loans modified during the three months ended September 30, 2026 and 2025 for borrowers experiencing financial difficulty, by class and type of modification. The financial impact of loan modifications made to borrowers experiencing financial difficulty during the three months ended September 30, 2026 related to one borrower that was granted partial principal forgiveness, reducing the loan's amortized cost basis by $438,000. During the three months ended September 30, 2025, one borrower experiencing financial difficulty was granted an interest rate reduction from a variable rate to a lower fixed rate.

	Three Months Ended September 30, 2026					
	Term Extension		Interest Rate Reduction		Principal Forgiveness	
(Dollars in thousands)	Amortized Cost Basis	Total Class of Receivable	Amortized Cost Basis	Total Class of Receivable	Amortized Cost Basis	Total Class of Receivable
Residential mortgage loans	$ -	-	$ -	-	$ -	-
Commercial real estate	-	-	-	-	-	-
Commercial lines of credit	-	-	-	-	-	-
Commercial and industrial	-	-	-	-	1,340	1.9%
Home equity and consumer	-	-	-	-	-	-

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

The following tables present the amortized cost basis as of September 30, 2026 and 2025 of loans to borrowers experiencing financial difficulty that were modified during the preceding twelve months, by class and type of modification. With respect to subsequent performance of loans modified during the twelve months preceding September 30, 2026, one loan was 31 to 60 days past due and two loans were greater than 90 days past due as of that date. For loans modified during the twelve months preceding September 30, 2025, one loan was current and two loans were 31 to 60 days past due.

	As of September 30, 2026					
	Term Extension		Interest Rate Reduction		Principal Forgiveness	
(Dollars in thousands)	Amortized Cost Basis	Total Class of Receivable	Amortized Cost Basis	Total Class of Receivable	Amortized Cost Basis	Total Class of Receivable
Residential mortgage loans	$ -	-	$ -	-	$ -	-
Commercial real estate	-	-	-	-	-	-
Commercial lines of credit	25	0.0%	-	-	-	-
Commercial and industrial	-	-	1,294	1.9%	1,340	1.9%
Home equity and consumer	-	-	-	-	-	-

	As of September 30, 2025					
	Term Extension		Interest Rate Reduction		Principal Forgiveness	
(In thousands)	Amortized Cost Basis	Total Class of Receivable	Amortized Cost Basis	Total Class of Receivable	Amortized Cost Basis	Total Class of Receivable
Residential mortgage loans	$ -	-	$ -	-	$ -	-
Commercial real estate	-	-	11,495	3.1%	-	-
Commercial lines of credit	-	-	-	-	-	-
Commercial and industrial	2,367	2.7%	1,337	1.5%	-	-
Home equity and consumer	-	-	-	-	-	-

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 allowance for credit losses. PCL expense was $231,000 for the three month period ended September 30, 2026, as compared to a $3.5 million PCL expense for the three month period ended September 30, 2025. For the first nine months of 2026, the Company recorded a PCL benefit of $92,000, as compared to a $5.1 million PCL expense in the first nine months of the prior year.

PCL decreased $3.3 million for the three months ended September 30, 2026 compared to the same period in 2025. During the third quarter of 2026, the Company recorded a $151,000 increase in reserves related to its loan portfolio and an $80,000 increase in reserves for unfunded commitments.

The following tables summarize the activity related to the ACL as of and for the three and nine months ended September 30, 2026 and 2025:

	Three Months Ended September 30, 2026				
(Dollars in thousands)	**Reserves as of June 30, 2026**	**Q3 2026 Charge-Offs**	**Q3 2026 Recoveries**	**Q3 2026 PCL**	**Reserves as of September 30, 2026**
Individually evaluated	$ 16,687	$ (3,740)	$ 7	$ 95	$ 13,049
Collectively evaluated:					
Overdraft	-	(25)	4	21	-
Pooled - quantitative	9,164	(86)	34	(101)	9,011
Pooled - qualitative	(1,240)	-	-	139	(1,101)
Purchased	2,309	(680)	152	(3)	1,778
Total ACL - Loans	$ 26,920	$ (4,531)	$ 197	$ 151	$ 22,737
ACL - Held-To-Maturity Securities	154	-	-	-	154
Other Liabilities - Unfunded Commitments	647	-	-	80	727
Total ACL	$ 27,721	$ (4,531)	$ 197	$ 231	$ 23,618

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

(Dollars in thousands)	Reserves as of December 31, 2025	2026 Charge-Offs	2026 Recoveries	2026 PCL	Reserves as of September 30, 2026
	Nine Months Ended September 30, 2026				
Individually evaluated	$ 18,142	$ (5,583)	$ 343	$ 147	$ 13,049
Collectively evaluated:					
Overdraft	-	(91)	15	76	-
Pooled - quantitative	8,336	(321)	164	832	9,011
Pooled - qualitative	168	-	-	(1,269)	(1,101)
Purchased	2,790	(1,463)	454	(3)	1,778
Total ACL - Loans	29,436	(7,458)	976	(217)	22,737
ACL - Held-To-Maturity Securities	176	-	-	(22)	154
Other Liabilities - Unfunded Commitments	580	-	-	147	727
Total ACL	$ 30,192	$ (7,458)	$ 976	$ (92)	$ 23,618

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

Summarized in the tables below are changes in the ACL 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.

(In thousands)	1-4 family first-lien residential mortgage	Residential construction mortgage	Commercial real estate	Commercial lines of credit	Other commercial and industrial	Paycheck Protection Program	Tax exempt	Home equity & junior liens	Other consumer	Total
	As of and for the three months ended September 30, 2026									
Allowance for credit losses:										
Beginning Balance	$ 1,896	$ 532	$ 11,374	$ 3,086	$ 7,075	$ -	$ 3	$ 710	$ 2,244	$ 26,920
Charge-offs	-	-	-	(962)	(2,779)	-	-	-	(790)	(4,531)
Recoveries	2	-	7	1	12	-	-	50	125	197
Provisions (credits)	251	(90)	116	76	(278)	-	-	7	69	151
Ending balance	$ 2,149	$ 442	$ 11,497	$ 2,201	$ 4,030	$ -	$ 3	$ 767	$ 1,648	$ 22,737
Ending balance: related to loans individually evaluated	$ 144	$ -	$ 7,388	$ 2,031	$ 3,256	$ -	$ -	$ 230	$ -	$ 13,049
Ending balance: related to loans collectively evaluated	$ 2,005	$ 442	$ 4,109	$ 170	$ 774	$ -	$ 3	$ 537	$ 1,648	$ 9,688
Loans receivables:										
Ending balance, gross	$ 230,661	$ 2,150	$ 388,436	$ 73,240	$ 69,406	$ 31	$ 506	$ 55,157	$ 54,137	$ 873,724
Ending balance: individually evaluated	$ 1,718	$ -	$ 51,783	$ 8,469	$ 10,925	$ -	$ -	$ 599	$ -	$ 73,494
Ending balance: collectively evaluated	$ 228,943	$ 2,150	$ 336,653	$ 64,771	$ 58,481	$ 31	$ 506	$ 54,558	$ 54,137	$ 800,230

(In thousands)	1-4 family first-lien residential mortgage	Residential construction mortgage	Commercial real estate	Commercial lines of credit	Other commercial and industrial	Paycheck Protection Program	Tax exempt	Home equity & junior liens	Other consumer	Total
	As of and for the three months ended September 30, 2025									
Allowance for credit losses:										
Beginning Balance	$ 1,342	$ 543	$ 6,396	$ 752	$ 2,671	$ -	$ 3	$ 663	$ 3,613	$ 15,983
Charge-offs	(112)	-	(51)	(82)	(60)	-	-	(53)	(565)	(923)
Recoveries	-	-	8	23	80	-	-	1	141	253
Provisions (credits)	872	(269)	2,286	(321)	833	-	2	(169)	107	3,341
Ending balance	$ 2,102	$ 274	$ 8,639	$ 372	$ 3,524	$ -	$ 5	$ 442	$ 3,296	$ 18,654
Ending balance: related to loans individually evaluated	$ 104	$ -	$ 3,568	$ 98	$ 1,570	$ -	$ -	$ 184	$ -	$ 5,524
Ending balance: related to loans collectively evaluated	$ 1,998	$ 274	$ 5,071	$ 274	$ 1,954	$ -	$ 5	$ 258	$ 3,296	$ 13,130
Loans receivables:										
Ending balance, gross	$ 238,975	$ 1,406	$ 371,683	$ 79,021	$ 86,687	$ 74	$ 6,229	$ 50,106	$ 65,694	$ 899,875
Ending balance: individually evaluated	$ 1,400	$ -	$ 23,863	$ 1,944	$ 4,328	$ -	$ -	$ 529	$ -	$ 32,064
Ending balance: collectively evaluated	$ 237,575	$ 1,406	$ 347,820	$ 77,077	$ 82,359	$ 74	$ 6,229	$ 49,577	$ 65,694	$ 867,811

(In thousands)	1-4 family first-lien residential mortgage	Residential construction mortgage	Commercial real estate	Commercial lines of credit	Other commercial and industrial	Tax exempt	Home equity and junior liens	Other consumer	Total
	As of and for the nine months ended September 30, 2026								
Allowance for credit losses:									
Beginning Balance	$ 2,141	$ 474	$ 10,580	$ 3,698	$ 9,064	$ 5	$ 705	$ 2,769	$ 29,436
Charge-offs	(13)	-	(1,600)	(1,058)	(2,905)	-	(144)	(1,738)	(7,458)
Recoveries	5	-	394	3	39	-	140	395	976
Provisions (credits)	16	(32)	2,123	(442)	(2,168)	(2)	66	222	(217)
Ending balance	$ 2,149	$ 442	$ 11,497	$ 2,201	$ 4,030	$ 3	$ 767	$ 1,648	$ 22,737

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

The Company's methodology for determining its ACL includes an analysis of qualitative factors that are added to the historical loss rates in arriving at the total ACL needed for collectively evaluated 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 loan 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 ACL analysis and calculation.

The allocation of the ACL summarized on the basis of the Company's calculation methodology was as follows:

	As of September 30, 2026								
(In thousands)	1-4 family first-lien residential mortgage	Residential construction mortgage	Commercial real estate	Commercial lines of credit	Other commercial and industrial	Tax exempt	Home equity and junior liens	Other consumer	Total
Specifically reserved	$ 144	$ -	$ 7,388	$ 2,031	$ 3,256	$ -	$ 516	$ 1,492	14,827
Historical loss rate	2,128	490	4,845	198	908	3	280	159	9,011
Qualitative factors	(123)	(48)	(736)	(28)	(134)	-	(29)	(3)	(1,101)
Total	$ 2,149	$ 442	$ 11,497	$ 2,201	$ 4,030	$ 3	$ 767	$ 1,648	$ 22,737

	As of December 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	Tax exempt	Home equity and junior liens	Other consumer	Total
Specifically reserved	$ -	$ -	$ 6,523	$ 3,519	$ 7,913	$ -	$ 394	$ 2,583	$ 20,932
Historical loss rate	2,332	474	3,858	165	1,038	5	296	168	8,336
Qualitative factors	(191)	-	199	14	113	-	15	18	168
Total	$ 2,141	$ 474	$ 10,580	$ 3,698	$ 9,064	$ 5	$ 705	$ 2,769	$ 29,436

Collateral Dependent Loans

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

- Commercial real estate loans can be secured by either owner occupied commercial real estate or non-owner occupied investment commercial real estate. Typically, owner occupied commercial real estate loans are secured by office buildings, warehouses, manufacturing facilities and other commercial and industrial properties occupied by operating companies. Non-owner occupied commercial real estate loans are generally secured by office buildings and complexes, retail facilities, multifamily complexes, land under development, industrial properties, as well as other commercial or industrial real estate.
- Residential real estate loans are typically secured by first mortgages, and in some cases could be secured by a second mortgage.
- Home equity lines of credit are generally secured by second mortgages on residential real estate property.
- Consumer loans are generally secured by automobiles, motorcycles, recreational vehicles and other personal property. Some consumer loans are unsecured and have no underlying collateral.

The following table details the amortized cost of collateral dependent loans at September 30, 2026 and December 31, 2025:

(In thousands)	September 30, 2026	December 31, 2025
Commercial and industrial	$ 19,394	$ 34,182
Commercial real estate	51,783	54,008
Residential (1-4 family) first mortgages	1,718	613
Home equity loans and lines of credit	599	599
Consumer loans	-	-
Total loans	$ 73,494	$ 89,402

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.

(Dollars in thousands)	Number of properties	September 30, 2026	Number of properties	December 31, 2025
Foreclosed real estate	3	$ 83	3	$ 137

At September 30, 2026 and December 31, 2025, the Company reported $783,000 and $698,000, respectively, in real estate loans in the process of foreclosure.

Note 9: Guarantees

The Company does not issue any guarantees that would require liability recognition or disclosure, other than its standby letters of credit. Generally, all letters of credit, when issued, have expiration dates within one year. The credit risks involved in issuing letters of credit are essentially the same as those that are involved in extending loan facilities to customers. The Company generally holds collateral and/or personal guarantees supporting these commitments. The Company had $2.8 million and $3.4 million of standby letters of credit as of September 30, 2026 and December 31, 2025, 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 Measurement*, 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 AFS 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 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 $4.0 million and an aggregate fair market value of $4.2 million as of September 30, 2026. These securities have an aggregate valuation that is determined using published 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 three limited partnership investments, classified as marketable equity securities, managed by an unrelated third party with an aggregate fair market value of $6.7 million and $6.0 million as of September 30, 2026 and December 31, 2025, 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 in earnings 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 DCF model. All future floating rate cash flows are projected and both floating rate and fixed rate cash flows are discounted to the valuation date. The benchmark interest rate curve utilized for projecting cash flows and applying appropriate discount rates is built by obtaining publicly available third party market quotes for various swap maturity terms.

Individually evaluated loans: Individually evaluated loans are those loans in which the Company has measured potential credit losses 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 DCF based upon expected proceeds. These appraisals may include up to three approaches to determine fair 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 ACL 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:

	September 30, 2026			
(In thousands)	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Available-for-Sale Portfolio				
Debt investment securities:				
U.S. Treasury, agencies and GSEs	$ -	$ 56,398	$ -	$ 56,398
State and political subdivisions	-	29,875	-	29,875
Corporate	-	4,108	-	4,108
Corporate issuances measured at NAV	-	-	-	4,210
Asset backed securities	-	11,389	-	11,389
Residential mortgage-backed - U.S. agency	-	113,379	-	113,379
Collateralized mortgage obligations - U.S. agency	-	28,628	-	28,628
Collateralized mortgage obligations - Private label	-	111,798	-	111,798
Total		355,575		359,785
Equity investment securities:				
Common stock - financial services industry	206	-	-	206
Total available-for-sale securities	$ 206	$ 355,575	$ -	$ 359,991
Marketable equity securities measured at NAV	$ -	$ -	$ -	$ 6,739
Interest rate swap derivative fair value hedges (unrealized gain carried as receivable from derivative counterparties)	$ -	$ 7,942	$ -	$ 7,942

	December 31, 2025			
(In thousands)	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Available-for-Sale Portfolio				
Debt investment securities:				
U.S. Treasury, agencies and GSEs	$ -	$ 65,015	$ -	$ 65,015
State and political subdivisions	-	33,918	-	33,918
Corporate	-	3,753	-	3,753
Corporate issuances measured at NAV	-	-	-	4,189
Asset backed securities	-	15,612	-	15,612
Residential mortgage-backed - U.S. agency	-	49,015	-	49,015
Collateralized mortgage obligations - U.S. agency	-	18,383	-	18,383
Collateralized mortgage obligations - Private label	-	86,724	-	86,724
Total		272,420		276,609
Equity investment securities:				
Common stock - financial services industry	206	-	-	206
Total available-for-sale securities	$ 206	$ 272,420	$ -	$ 276,815
Marketable equity securities measured at NAV	$ -	$ -	$ -	$ 6,034
Interest rate swap derivative fair value hedges (unrealized gain carried as receivable from derivative counterparties)	$ -	$ 1,506	$ -	$ 1,506

Pathfinder Bank had the following assets measured at fair value on a nonrecurring basis as of September 30, 2026 and December 31, 2025:

	September 30, 2026			
(In thousands)	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Individually evaluated loans	$ -	$ -	$ 8,989	$ 8,989
Foreclosed real estate	-	-	83	83

	December 31, 2025			
(In thousands)	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Individually evaluated loans	$ -	$ -	$ 48,649	$ 48,649
Foreclosed real estate	-	-	137	137

The following tables present 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 at September 30, 2026		
	Valuation Techniques	**Unobservable Input**	**Range (Weighted Avg.)**
Individually evaluated loans	Appraisal of collateral	Discounted Cash Flow	10% -50% (30%)
Foreclosed real estate	Appraisal of collateral	Costs to Sell	21% - 24% (22%)

	Quantitative Information about Level 3 Fair Value Measurements at December 31, 2025		
	Valuation Techniques	**Unobservable Input**	**Range (Weighted Avg.)**
Individually evaluated loans	Appraisal of collateral	Discounted Cash Flow	5% - 97% (48%)
Foreclosed real estate	Appraisal of collateral	Costs to Sell	21% - 24% (22%)

There have been no transfers of assets into or out of any fair value measurement level during the three or nine months ended September 30, 2026 or 2025.

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, *Fair Value Measurements*, 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 DCF 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 DCF calculation that applies interest rates currently being offered in the market on certificates of deposits to a schedule of aggregated expected monthly maturities on time deposits. Measurements of the fair value of time deposits are classified within Level 2 of the fair value hierarchy.

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

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

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

		September 30, 2026		December 31, 2025	
(Dollars in thousands)	**Fair Value Hierarchy**	**Carrying Amounts**	**Estimated Fair Values**	**Carrying Amounts**	**Estimated Fair Values**
Financial assets:					
Cash and cash equivalents	1	$ 41,695	$ 41,695	$ 31,170	$ 31,170
Investment securities - available-for-sale	2	355,781	355,781	272,626	272,626
Investment securities - available-for-sale	NAV	4,210	4,210	4,189	4,189
Investment securities - marketable equity	NAV	6,739	6,739	6,034	6,034
Investment securities - held-to-maturity	2	105,629	98,602	130,324	125,198
Federal Home Loan Bank stock	2	7,033	7,033	2,560	2,560
Net loans	3	850,265	829,554	867,234	842,116
Accrued interest receivable	1	6,231	6,231	6,328	6,328
Interest rate derivative fair value hedges receivable - AFS investments	2	3,630	3,630	1,214	1,214
Interest rate derivative fair value hedges receivable - loans	2	4,312	4,312	292	292
Financial liabilities:					
Demand Deposits, Savings, NOW and MMDA	1	$ 781,990	$ 781,990	$ 731,868	$ 731,868
Time Deposits	2	376,521	374,550	451,980	451,357
Borrowings	2	155,549	155,523	58,074	58,107
Subordinated debt	2	30,155	29,998	30,155	29,689
Accrued interest payable	1	278	278	424	424

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 September 30, 2026 or December 31, 2025.

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 represent 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 differences 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 AOCI 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 differences in the net cash flows due to (due from) the Company from (to) a counterparty are recorded in current period earnings as adjustments to the interest income or interest expense of the respective hedged asset or liability.

Among the array of interest rate hedging contracts, potentially available to the Company, are interest rate swap and interest rate cap (or floor) contracts. The Company uses interest rate swaps, cap or floor contracts as part of its interest rate risk management strategy. Interest rate swaps involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed payments over the life of the agreements without the exchange of the underlying notional amount. An interest rate cap is a type of interest rate derivative in which the buyer receives payments at the end of each contractual period in which the index interest rate exceeds the contractually agreed upon strike price rate. The purchaser of a cap contract will continue to benefit from any rise in interest rates above the strike price. Similarly, an interest rate floor is a derivative contract in which the buyer receives payments at the end of each period in which the interest rate is below the agreed strike price. The purchaser of a floor contract will continue to benefit from any decrease in interest rates below the strike price. The Company had no interest rate cap or floor contracts in place at September 30, 2026 or December 31, 2025.

The Company records various hedges in the consolidated statements of condition at fair value. The Company's accounting treatment for these derivative instruments is based on the instrument's hedge designation determined at the inception of each derivative instrument's contractual term. The following tables show the Company's outstanding fair value hedges at September 30, 2026 and December 31, 2025:

(In thousands)	Hedge-Adjusted Carrying Amount of the Hedged Assets at September 30, 2026	Cumulative Amount of Fair Value Hedging Adjustment Subtracted from Carrying Amount of the Hedged Assets at September 30, 2026	Hedge-Adjusted Carrying Amount of the Hedged Assets at December 31, 2025	Cumulative Amount of Fair Value Hedging Adjustment Subtracted from Carrying Amount of the Hedged Assets at December 31, 2025
Line item on the balance sheet in which the hedged item is included:				
Available-for-sale securities (1)	$ 66,223	$ 3,596	$ 68,917	$ 1,214
Loans receivable (2)	$ 99,314	$ 4,285	$ 120,574	$ 292

(1) The $66.2 million net carrying amount of hedged assets represents the hedge-adjusted amortized cost basis of specifically identified municipal, Private label and GSE-backed securities designated as the underlying assets for the hedging relationships. The notional amount of the designated hedges were $61.8 million and $69.8 million at September 30, 2026 and December 31, 2025, 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 $3.6 million and $1.3 million at September 30, 2026 and December 31, 2025, respectively. The Company's participation in fair value hedging transactions increased investment security interest income by $325,000 and $879,000 in the nine month periods ended September 30, 2026 and September 30, 2025, respectively.

(2) The $99.3 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 $105.8 million and $113.1 million at September 30, 2026 and December 31, 2025, respectively. At September 30, 2026, the fair value of the derivatives recorded in other assets (an unrealized gain, receivable from derivative counterparties) resulted in a net asset position of $4.3 million, recorded by the Company as a component of other assets. The Company's participation in fair value hedging transactions increased interest income by $233,000 and $820,000 in the nine month periods ended September 30, 2026 and September 30, 2025, respectively. Details of the two loan hedging strategies, in place at September 30, 2026 are presented below:

a. On April 7, 2023 the Bank entered into an amortizing swap transaction with an initial notional amount of $100.0 million whereby the Bank will receive the 3-month SOFR rate monthly, based on the notional amount of the swap contract at the beginning of each month until the swap transaction expires in 2035. The notional amount of the swap declines monthly according to a predetermined amortization schedule and was $60.8 million at September 30, 2026. 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 $3.6 million at September 30, 2026.

b. On December 7, 2023, the Bank entered into five fixed-pay interest rate swap contracts with a total notional amount of $50.0 million, whereby the Bank will receive the 3-month rate SOFR monthly until the respective maturity dates of the contracts. The contracts expire in annual increments on December 1 of 2025 ($5.0 million, fixed rate of 4.463%), 2026 ($5.0 million, fixed rate of 4.136%), 2027 ($10.0 million, fixed rate of 3.973%), 2028 ($15.0 million, fixed rate of 3.887%), and 2029 ($15.0 million, fixed rate of 3.845%). The fair value of these swap contracts in aggregate was $724,000 (a receivable to the swap counterparty) at September 30, 2026.

The Company's hedging contracts accounted for as fair value hedges, increased the yield on investment securities and loans by 0.09% and 0.04%, respectively, in the nine months ended September 30, 2026. The Company's hedging contracts accounted for as fair value hedges, increased the yield on investment securities and loans by 0.14% and 0.12%, respectively, in the nine months ended September 30, 2025.

The following tables summarize the net effects of the Company's fair value and cash flow hedges for the nine months ended September 30, 2026 and September 30, 2025, respectively:

	Fair Value Hedges for the nine months ended September 30, 2026			
(In thousands)	Average Notional Balance	Period Ending Notional Balance	Net Cash Received Recorded in Net Income	Fair Value Receivable at Period End
Investments	$ 67,542	$ 61,754	$ 325	$ 3,630
Loans	109,009	105,841	233	4,312
Total	$ 176,551	$ 167,595	$ 558	$ 7,942

	Fair Value Hedges for the nine months ended September 30, 2025			
(In thousands)	Average Notional Balance	Period Ending Notional Balance	Net Cash Received Recorded in Net Income	Fair Value Receivable at Period End
Investments	$ 77,313	$ 70,749	$ 879	$ 1,159
Loans	124,247	120,664	820	113
Total	$ 201,560	$ 191,413	$ 1,699	$ 1,272

	Cash Flow Hedges for the nine months ended September 30, 2026			
(In thousands)	Average Notional Balance	Period Ending Notional Balance	Net Cash Received Recorded in Net Income	Fair Value Receivable at Period End
Borrowed Funds	$ -	$ -	$ 144	$ -

	Cash Flow Hedges for the nine months ended September 30, 2025			
(In thousands)	Average Notional Balance	Period Ending Notional Balance	Net Cash Received Recorded in Net Income	Fair Value Receivable at Period End
Borrowed Funds	$ -	$ -	$ 238	$ -

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. Of this total gain, $458,000 was recognized as a reduction of interest expense in substantially equal monthly installments through April 30, 2026, consistent with the original maturity of the associated hedging contracts. The remaining $308,000 continues to be recognized as a reduction of interest expense in substantially equal monthly installments through April 30, 2027.

The amounts of hedge ineffectiveness, recognized at September 30, 2026 and December 31, 2025 for cash flow hedges were not material to the Company’s consolidated results of operations. A portion of, or the entire amount included in AOCI would be reclassified into current earnings should a portion of, or the entire hedge, no longer be considered effective. Management believes that the hedges will remain fully effective during the remaining term of the respective hedging contracts. The changes in the fair values of the interest rate hedging agreements primarily result from the effects of changing index interest rates and the reduction of the time each quarter between the measurement date and the contractual maturity date of the hedging instrument.

The Company manages its potential credit exposure on interest rate swap transactions by entering into bilateral credit support agreements with each contractual counterparty. These agreements require collateralization of credit exposures beyond specified minimum threshold amounts. Interest rate hedging agreements are entered into with counterparties that meet the Company's established credit standards and the agreements contain master netting, collateral and/or settlement provisions protecting the at-risk party. Based on adherence to the Company’s credit standards and the presence of the netting, collateral or settlement provisions, the Company believes that the credit risk inherent in these contracts was not material at September 30, 2026.

Note 12: Accumulated Other Comprehensive (Loss) Income

Changes in the components of AOCI, net of tax, for the periods indicated are summarized in the tables below.

	For the three months ended September 30, 2026			
(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	$ (1,220)	$ (5,965)	$ 62	$ (7,123)
Other comprehensive loss before reclassifications	-	(8,670)	(19)	(8,689)
Amounts reclassified from AOCI	(1)	(8)	-	(9)
Ending balance	$ (1,221)	$ (14,643)	$ 43	$ (15,821)

	For the three months ended September 30, 2025			
(In thousands)	Net Unrealized Loss on Retirement Plans	Unrealized Loss on Available-for-Sale Securities	Unrealized Gain on Derivatives and Hedging Activities	Total
Beginning balance	$ (1,942)	$ (7,192)	$ 276	$ (8,858)
Other comprehensive income (loss) before reclassifications	-	1,637	(61)	1,576
Amounts reclassified from AOCI	25	-	-	25
Ending balance	$ (1,917)	$ (5,555)	$ 215	$ (7,257)

	For the nine months ended September 30, 2026			
(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	$ (1,218)	$ (4,303)	$ 154	$ (5,367)
Other comprehensive loss before reclassifications	-	(10,332)	(111)	(10,443)
Amounts reclassified from AOCI	(3)	(8)	-	(11)
Ending balance	$ (1,221)	$ (14,643)	$ 43	$ (15,821)

	For the nine months ended September 30, 2025			
(In thousands)	Net Unrealized Loss on Retirement Plans	Unrealized Loss on Available-for-Sale Securities	Unrealized Gain on Derivatives and Hedging Activities	Total
Beginning balance	$ (1,992)	$ (7,548)	$ 396	$ (9,144)
Other comprehensive income (loss) before reclassifications	-	1,989	(181)	1,808
Amounts reclassified from AOCI	75	4	-	79
Ending balance	$ (1,917)	$ (5,555)	$ 215	$ (7,257)

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

(In thousands)		Amount Reclassified from AOCI [1]			
		For the three months ended,		For the nine months ended,	
Details about AOCI [1] components	**Affected Line Item in the Statement of Income**	**September 30, 2026**	**September 30, 2025**	**September 30, 2026**	**September 30, 2025**
Retirement plan items					
Retirement plan net gain (loss) recognized in plan expenses [2]	Salaries and employee benefits	$ 2	$ (35)	$ 4	$ (102)
Tax effect	Provision for income taxes	(1)	10	(1)	27
	Net Income	$ 1	$ (25)	$ 3	$ (75)
Available-for-sale securities					
Realized gain (loss) on sale of securities	Net realized gain (loss) on sales and redemptions of investment securities	$ 11	$ -	$ 11	$ (5)
Tax effect	Provision for income taxes	(3)	-	(3)	1
	Net Income	$ 8	$ -	$ 8	$ (4)

[1] Amounts in parentheses indicate 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,		For the nine months ended,	
(In thousands)	**September 30, 2026**	**September 30, 2025**	**September 30, 2026**	**September 30, 2025**
Service charges on deposit accounts				
Insufficient funds fees	$ 228	$ 235	$ 661	$ 657
Deposit related fees	136	146	408	438
ATM fees	27	23	79	63
Total service charges on deposit accounts	391	404	1,148	1,158
Fee Income				
Investment services revenue	41	-	41	138
ATM fees surcharge	70	69	198	208
Banking house rents collected	112	109	335	262
Total fee income	223	178	574	608
Card income				
Debit card interchange fees	199	217	526	398
Merchant card fees	12	20	40	46
Total card income	211	237	566	444
Mortgage fee income and realized gain on sales of loans and foreclosed real estate				
Loan servicing fees	64	113	221	311
Net gain on sales of loans and foreclosed real estate	96	121	377	269
Total mortgage fee income and realized gain on sale of loans and foreclosed real estate	160	234	598	580
Subtotal	985	1,053	2,886	2,790
Earnings and gain on bank owned life insurance	281	286	867	604
Net gain (loss) on sales and redemptions of investment securities	39	(12)	34	(20)
Net unrealized gain on marketable equity securities	72	145	95	783
Fair value adjustment to loans held-for-sale	-	-	(203)	(3,064)
Other miscellaneous income	20	31	69	89
Total noninterest income	$ 1,397	$ 1,503	$ 3,748	$ 1,182

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 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 1 year up to 27 years, some of which include options to extend the leases for various renewal periods. All options to renew are included in the current lease term when we believe it is reasonably certain that the renewal options will be exercised.

The components of lease expense are as follows:

	For the three months ended,		For the nine months ended,	
(In thousands)	**September 30, 2026**	**September 30, 2025**	**September 30, 2026**	**September 30, 2025**
Operating lease cost	$ 38	$ 39	$ 116	$ 130
Finance lease cost	427	431	1,277	1,291
Total lease cost	$ 465	$ 470	$ 1,393	$ 1,421

Supplemental cash flow information related to leases was as follows:

	For the three months ended,		For the nine months ended,	
(In thousands)	**September 30, 2026**	**September 30, 2025**	**September 30, 2026**	**September 30, 2025**
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	$ 35	$ 35	$ 105	$ 119
Operating cash flows from finance leases	427	431	1,277	1,291
Financing cash flows from finance leases	115	109	347	331

Supplemental balance sheet information related to leases was as follows:

(In thousands, except lease term and discount rate)	**As of September 30, 2026**	**As of December 31, 2025**
Operating Leases:		
Operating lease right-of-use assets	$ 1,019	$ 1,098
Operating lease liabilities	1,236	1,304
Finance Leases:		
Finance lease right-of-use assets	$ 15,291	$ 15,885
Finance lease liabilities	16,108	16,390
Weighted Average Remaining Lease Term:		
Operating leases	18.12 years	18.11 years
Finance leases	20.30 years	21.02 years
Weighted Average Discount Rate:		
Operating leases	4.03%	4.02%
Finance leases	6.02%	6.02%

As of September 30, 2026, future maturities of lease liabilities are as follows:

(In thousands) **Twelve Months Ending September 30,**	**Operating Leases**	**Finance Leases**
2027	$ 90	$ 392
2028	83	412
2029	89	438
2030	70	463
2031	27	490
Thereafter	877	13,913
Total future maturities of lease liabilities	$ 1,236	$ 16,108

The Company owns certain properties that it leases to unaffiliated third parties at market rates. Lease rental income was $112,000 and $109,000 for the three months ended September 30, 2026 and 2025, respectively. Lease rental income was $335,000 and $262,000 for the nine months ended September 30, 2026 and 2025, respectively. All rental agreements with lessees are accounted for as operating leases.

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

General

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

At September 30, 2026, the Company and subsidiaries had total consolidated assets of $1.49 billion, total consolidated liabilities of $1.37 billion and shareholders' equity of $118.8 million.

The following discussion reviews the Company's financial condition at September 30, 2026 and the results of operations for the three and nine month periods ended September 30, 2026 and 2025. Operating results for the three and nine months ended September 30, 2026 are not necessarily indicative of the results that may be expected for the year ending December 31, 2026 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 2025 Annual Report filed with the SEC on March 30, 2026 (“the consolidated annual financial statements”) as of December 31, 2025 and 2024 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.

Cautionary Note Regarding Forward-Looking Statements

Certain statements contained herein are “forward looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements concern the financial condition, results of operations, plans, objectives, future performance and business of the Company and its subsidiaries, including, but not limited to, the Bank.

Forward-looking statements are generally identified by use of the words “believes,” “expect,” “intend,” “anticipate,” “estimate,” “project” or similar expressions, or future or conditional verbs, such as “will,” “would,” “should,” “could,” or “may.” These forward-looking statements are based on current beliefs and expectations of the Company’s and the Bank’s management and are inherently subject to significant business, economic, competitive and regulatory uncertainties and contingencies, many of which are beyond the Company’s and the Bank’s control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change.

Actual results may differ materially from those expressed or implied by the forward-looking statements as a result of numerous factors. Although it is not possible to identify all factors that may cause actual results to differ materially from those described in forward-looking statements, factors that may cause actual results to differ materially include, but are not limited to: (i) risks related to the real estate and economic environment, particularly in the market areas in which the Company and the Bank operate; (ii) fiscal and monetary policies of the U.S. Government; (iii) inflation; (iv) changes in prevailing interest rates; (v) changes in government regulations affecting financial institutions, including regulatory compliance costs and capital requirements; (vi) the risk that actual credit losses, borrower performance, collateral values, or loan migration patterns differ from management’s forward-looking estimates or assumptions; (vii) fluctuations in the adequacy of the ACL; (viii) decreases in deposit levels or changes in deposit mix that may necessitate increased borrowing to fund loans and investments; (ix) access to wholesale or other funding sources; (x) operational risks including, cybersecurity threats, fraud, model risk and natural disasters; (xi) credit risk management; (xii) political developments, wars or other hostilities that may disrupt financial markets or economic conditions; (xiii) volatility or adverse trends in the securities markets that could affect the value of the Company’s investment portfolio or broader financial conditions; (xiv) delays or incomplete resolution of regulatory matters or supervisory issues that could impact the Company’s planning or operations; (xv) the outcome of regulatory or legal investigations, proceedings or other matters that may arise from time to time; and (xvi) the risk that the Company may not be successful in the implementation of its business strategy.

Additional factors that could cause actual results to differ materially are described in other periodic filings with the SEC, which are available at the SEC’s website, www.sec.gov. While the Company believes it has identified and discussed the material risks affecting its business, there may be additional risks and uncertainties not currently known or considered immaterial that could affect the forward-looking statements made herein.

Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as predictions of future results. Any forward-looking statement speaks only as of the date on which it is made, and the Company undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise, except as required by applicable law.

Application of Critical Accounting Estimates

The Company's consolidated quarterly financial statements are prepared in accordance with accounting principles generally accepted in the United States and follow practices within the banking industry. Application of these principles requires management to make estimates, assumptions, and judgments that affect the amounts reported in the consolidated quarterly financial statements and accompanying notes. These estimates, assumptions, and judgments are based on information available as of the date of the financial statements; accordingly, as this information changes, the financial statements could reflect different estimates, assumptions, and judgments. Certain accounting policies inherently have a greater reliance on the use of estimates, assumptions, and judgments and, as such, have a greater possibility of producing results that could be materially different than originally reported. Estimates, assumptions, and judgments are necessary when assets and liabilities are required to be recorded at fair value or when an asset or liability needs to be recorded contingent upon a future event. Carrying assets and liabilities at fair value inherently results in more financial statement volatility. The fair values and information used to record valuation adjustments for certain assets and liabilities are based on quoted market prices or are provided by unaffiliated third-party sources, when available. When third party information is not available, valuation adjustments are estimated in good faith by management.

The most significant accounting policies followed by the Company are presented in Note 1 to the annual audited consolidated financial statements. These policies, along with the disclosures presented in the other financial statement notes and in this discussion, provide information on how significant assets and liabilities are valued in the consolidated quarterly financial statements and how those values are determined. Based on the valuation techniques used and the sensitivity of financial statement amounts to the methods, assumptions, and estimates underlying those amounts, management has identified the ACL, 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 Company applies ASC 326, *Financial Instruments—Credit Losses,* to account for its ACL on loans in accordance with CECL methodology. The ACL on loans and unfunded commitments is a valuation allowance for management’s estimate of expected credit losses in the loan portfolio and commitments to extend credit. Determining the amount of the ACL requires significant judgment on the part of management and 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, as correlated to historical economic metrics and in consideration of current economic trends and conditions, and other qualitative factors, all of which may be susceptible to significant change.

The Company establishes a specific allowance for all troubled credits identified through both normal and targeted credit review processes. Loans recognized within the internal review are identified as being individually evaluated and excluded from collective pools. Individually evaluated loans are considered to have unique risk characteristics when their risk profile, repayment characteristics, or loss exposure are sufficiently distinct such that inclusion in a pooled evaluation would not appropriately reflect its expected credit loss. Factors that may result in such classification include, but are not limited to, borrower-specific financial stress or credit deterioration, nonaccrual status or sustained delinquency, bankruptcy, insolvency, or restructuring proceedings, reliance on a single or materially weakened source of repayment, material adverse changes in collateral value, condition, or marketability, collateral dependency, unique or non-standard loan structures or modifications, adverse changes in guarantor support, or other circumstances indicating the loan no longer shares similar risk characteristics with the pool. For individually evaluated loans, management measures credit losses using a DCF approach, collateral-dependent valuation techniques, observable market pricing (when available), or other methods permitted under ASC 326 that reasonably estimate expected credit losses based on the specific facts and circumstances of the loan. The selected methodology is applied consistently and is based on the specific facts and circumstances of each loan. At September 30, 2026, the Bank had 124 individually evaluated loans totaling $73.5 million. Each of these loans was evaluated using a collateral-dependent methodology. No individually evaluated loans were measured using the present value of expected future cash flows or another methodology permitted under ASC 326. For all other loans, the Company applies a collective evaluation methodology designed to estimate lifetime expected credit losses for pools of loans that share similar risk characteristics.

The Company utilizes the DCF method for its pooled segment calculation. The DCF method implements a probability of default and 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 ACL.

Management also considers Qualitative Factors that are likely to cause estimated credit losses with the Company's existing portfolio to differ from historical loss experience, including but not limited to: national and local economic trends and conditions, levels and trends in delinquencies, non-accrual loans and classified assets, trends in volume, terms and concentrations of loans, changes in lending policies and procedures, quality of credit review function and administration, and changes in regulatory environment, management, markets and product offerings. On a quarterly basis, the Company assesses the magnitude of QF adjustments necessary to be applied to the quantitatively-derived ACL in order to incorporate forward-looking projections in its final evaluation of current expected credit losses.

In estimating the ACL on loans, management considers the sensitivity of the model and significant judgments and assumptions that could result in an amount that is materially different from management's estimate. At September 30, 2026, the Bank held $531.6 million in commercial real estate and commercial & industrial loans (collectively, commercial loans) representing 60.9% of the Bank's entire loan portfolio. The Bank allocated $17.7 million of the ACL to these commercial loans, which included a net qualitative adjustment that reduced the ACL by approximately $898,000 in the nine months ended September 30, 2026. 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 $225,000, assuming a 25% negative (or positive) change within the group of qualitative factors used to determine the ACL for commercial loans. The sensitivity and related range of impacts for various judgments on the ACL is a hypothetical analysis and is used to determine management's judgments or assumptions of qualitative loss factors that were utilized at September 30, 2026 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, BOLI, and to a much lesser degree, the utilization of low income housing tax credits. In addition, the tax effects of certain incentive stock option activity may reduce the Company's effective tax rate on a sporadic basis.

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

When the fair value of a security categorized as AFS or 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 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 AOCI, 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. Based on the December 31, 2025 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 September 28, 2026, 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 relating to the fiscal quarter ended September 30, 2026. The dividends were payable to all shareholders of record on October 16, 2026 and were paid on November 6, 2026.

Summary of 2026 Third Quarter Results

The Company recorded net income of $2.1 million, or $0.32 per diluted share, for the three months ended September 30, 2026, compared to $626,000, or $0.10 per diluted share, for the three months ended September 30, 2025. The increase in net income was primarily attributable to lower PCL compared to the prior-year period.

Net interest income before PCL decreased $889,000, or 7.7%, to $10.7 million for the three months ended September 30, 2026, compared to the same period in 2025. The decrease was primarily attributable to lower interest and dividend income, which declined $1.1 million, partially offset by lower interest expense of $203,000.

Interest and dividend income decreased $1.1 million, or 5.5%, compared to the third quarter of 2025. The decrease primarily reflected lower average loan balances, lower earning asset yields, and elevated loan and investment prepayment income recognized in the prior-year period. These factors were partially offset by higher average balances of taxable investment securities resulting from AFS purchases undertaken late in the second quarter of 2026, which contributed additional interest income during the third quarter of 2026.

Interest expense decreased $203,000, or 2.5%, compared to the third quarter of 2025. The decrease primarily reflected lower interest expense on deposits resulting from lower deposit costs, partially offset by higher interest expense on borrowings utilized to fund recent AFS securities purchases. In addition, subordinated debt reset from fixed-rate to floating-rate interest after October 15, 2025, contributing to higher funding costs compared to the year-ago period.

NIM decreased to 3.07% for the three months ended September 30, 2026, compared to 3.34% for the year-ago period. The decline in NIM of 27 bps primarily reflected lower earning asset yields and higher borrowing and subordinated debt costs that more than offset lower interest-bearing deposit costs. In addition, NIM in the third quarter of 2025 benefited by about 7 bps from elevated loan and investment prepayment income.

PCL expense was $231,000 in the third quarter of 2026, primarily attributable to quantitative and qualitative factor adjustments to the ACL. PCL expense was $3.5 million in the year-ago quarter, reflecting elevated provisioning associated with certain commercial loan relationships. See the "Provision for Credit Losses" and "Loan and Asset Quality and Allowance for Credit Losses" sections of this Management's Discussion and Analysis for further discussion.

Noninterest income was $1.4 million for the third quarter of 2026, decreasing $106,000, or 7.1%, from the same period of 2025. Compared to the year-ago period, noninterest income reflected modest decreases in loan servicing fees, debit card interchange fees, service charges on deposit accounts, and earnings and gains on BOLI, partially offset by higher net realized gains on sales and redemptions of investment securities.

Noninterest expense totaled $9.4 million in the third quarter of 2026, increasing $417,000, or 4.7%, from $8.9 million in the third quarter of 2025. Salaries and benefits expense increased compared to the year-ago quarter, reflecting selective senior hires, including client-facing commercial banking talent, and moderate salary increases. The increase in salaries and benefits was also affected by the reclassification of certain non-cash costs from other expense categories to compensation-related costs, partially offset by the favorable impact of non-operating recoveries from medical claim refunds under the Company's self-insured health plan. Other expenses decreased compared to the year-ago quarter, primarily due to the reclassification of these non-cash costs.

For the third quarter of 2026, annualized noninterest expense represented 2.51% of average assets, compared to 2.40% in the year-ago period. The efficiency ratio was 78.13% for the third quarter of 2026, compared to 68.78% in the year-ago period. While noninterest expense reflects strategic investments in personnel and growth initiatives, the efficiency ratio was elevated in the third quarter of 2026 primarily due to lower revenue compared to the prior-year period, which the Company views as temporary. The efficiency ratio, which is not a financial metric under GAAP, is a measure that the Company believes is helpful in understanding its level of noninterest expense as a percentage of total revenue.

Results of Operations

Net Interest Income

Net interest income is the Company's primary source of operating income for payment of operating expenses and providing for credit losses. It is the amount by which interest earned on loans, interest-earning deposits, and investment securities, exceeds the interest paid on deposits and other interest-bearing liabilities. Changes in net interest income and NIM 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.

	For the three months ended September 30,					
	2026			2025		
Unaudited *(In thousands)*	**Average Balance**	**Interest**	**Average Yield / Cost**	**Average Balance**	**Interest**	**Average Yield / Cost**
Interest-earning assets:						
Loans	$ 885,978	$ 12,679	5.72%	$ 906,759	$ 13,799	6.09%
Taxable investment securities	456,835	5,478	4.80%	431,227	5,351	4.96%
Tax-exempt investment securities	32,588	371	4.55%	33,980	455	5.36%
Federal funds sold and interest-earning deposits	20,818	116	2.23%	16,866	131	3.11%
Total interest-earning assets	1,396,219	18,644	5.34%	1,388,832	19,736	5.68%
Noninterest-earning assets:						
Other assets	120,348			114,837		
Allowance for credit losses	(26,455)			(15,595)		
Net unrealized losses on available-for-sale securities	(10,323)			(9,949)		
Total assets	$ 1,479,789			$ 1,478,125		
Interest-bearing liabilities:						
NOW accounts	$ 117,738	$ 307	1.04%	$ 120,696	$ 308	1.02%
Money management accounts	8,090	2	0.10%	10,105	3	0.12%
MMDA accounts	303,625	2,054	2.71%	276,599	2,210	3.20%
Savings and club accounts	124,376	71	0.23%	127,696	83	0.26%
Time deposits	394,189	3,455	3.51%	490,735	4,353	3.55%
Subordinated debt	30,155	659	8.74%	30,225	486	6.43%
Borrowings	141,887	1,385	3.90%	73,556	693	3.77%
Total interest-bearing liabilities	1,120,060	7,933	2.83%	1,129,612	8,136	2.88%
Noninterest-bearing liabilities:						
Demand deposits	204,478			192,982		
Other liabilities	29,850			29,320		
Total liabilities	1,354,388			1,351,914		
Shareholders' equity	125,401			126,211		
Total liabilities & shareholders' equity	$ 1,479,789			$ 1,478,125		
Net interest income		$ 10,711			$ 11,600	
Net interest rate spread			2.51%			2.80%
Net interest margin			3.07%			3.34%
Ratio of average interest-earning assets to average interest-bearing liabilities			124.66%			122.95%

Unaudited *(In thousands)*	For the nine months ended September 30, 2026 Average Balance	2026 Interest	2026 Average Yield / Cost	2025 Average Balance	2025 Interest	2025 Average Yield / Cost
Interest-earning assets:						
Loans	$ 896,117	$ 37,606	5.60%	$ 911,419	$ 40,577	5.94%
Taxable investment securities	418,377	15,133	4.82%	427,656	16,172	5.04%
Tax-exempt investment securities	33,046	1,074	4.33%	34,254	1,322	5.15%
Federal funds sold and interest-earning deposits	19,193	401	2.79%	13,306	288	2.89%
Total interest-earning assets	1,366,733	54,214	5.29%	1,386,635	58,359	5.61%
Noninterest-earning assets:						
Other assets	120,496			116,001		
Allowance for credit losses	(28,237)			(16,777)		
Net unrealized losses on available-for-sale securities	(7,993)			(10,245)		
Total assets	$ 1,450,999			$ 1,475,614		
Interest-bearing liabilities:						
NOW accounts	$ 122,182	$ 923	1.01%	$ 115,494	$ 962	1.11%
Money management accounts	8,553	6	0.09%	10,435	9	0.11%
MMDA accounts	307,366	6,198	2.69%	277,306	6,595	3.17%
Savings and club accounts	125,431	211	0.22%	129,059	246	0.25%
Time deposits	417,706	10,866	3.47%	493,033	13,408	3.63%
Subordinated debt	30,155	1,955	8.64%	30,174	1,444	6.38%
Borrowings	86,061	2,468	3.82%	68,656	1,870	3.63%
Total interest-bearing liabilities	1,097,454	22,627	2.75%	1,124,157	24,534	2.91%
Noninterest-bearing liabilities:						
Demand deposits	198,291			197,053		
Other liabilities	30,535			29,436		
Total liabilities	1,326,280			1,350,646		
Shareholders' equity	124,719			124,968		
Total liabilities & shareholders' equity	$ 1,450,999			$ 1,475,614		
Net interest income		$ 31,587			$ 33,825	
Net interest rate spread			2.54%			2.70%
Net interest margin			3.08%			3.25%
Ratio of average interest-earning assets to average interest-bearing liabilities			124.54%			123.35%

Net interest income before PCL decreased $889,000, or 7.7%, to $10.7 million for the three months ended September 30, 2026, compared to the same period in 2025. The decrease was primarily attributable to lower interest and dividend income, which declined $1.1 million, partially offset by lower interest expense of $203,000. NIM decreased to 3.07% for the three months ended September 30, 2026, compared to 3.34% for the year-ago period. The decline in NIM of 27 bps primarily reflected lower earning asset yields and higher borrowing and subordinated debt costs that more than offset lower interest-bearing deposit costs. In addition, NIM in the third quarter of 2025 benefited by about 7 bps from elevated loan and investment prepayment income.

Interest and dividend income decreased $1.1 million, or 5.5%, to $18.6 million for the three months ended September 30, 2026, compared to the same period in 2025. The decrease was primarily attributable to a $20.8 million decline in average loan balances, a 34 bps decrease in the average yield on interest-earning assets, and elevated loan and investment prepayment income recognized in the prior-year period. Average loan yields decreased 37 bps compared to the year-ago period, reflecting maturities and payoffs of higher-yielding loans and the impact of certain nonperforming loan relationships for which specific reserves had previously been established. In addition, the average yield on taxable securities decreased 16 bps from the prior-year period, reflecting payoffs of higher-yielding taxable securities, while average balances increased as a result of recent AFS securities purchases.

Compared to the year-ago period, decreases in loan interest income, tax-exempt securities income, and income from federal funds sold and interest-earning deposits of $1.1 million, $84,000, and $15,000, respectively, were partially offset by increases in taxable securities income and dividend income of $71,000 and $56,000, respectively.

Interest expense decreased $203,000 to $7.9 million during the third quarter of 2026 compared to the prior-year quarter. The decrease was primarily attributable to a $1.1 million reduction in interest expense on deposits resulting from lower deposit costs, partially offset by a $692,000 increase in interest expense on borrowings utilized to fund recent AFS securities purchases. The average cost of total interest-bearing liabilities decreased 5 bps compared to the year-ago period, reflecting a 23 bps decline in the average cost of interest-bearing deposits. These favorable changes were partially offset by a 13 bps increase in the average cost of borrowings and a 231 bps increase in the average cost of subordinated debt that reset from fixed-rate to floating-rate interest after October 15, 2025.

Net interest income before PCL decreased $2.2 million, or 6.6%, to $31.6 million for the nine months ended September 30, 2026, compared to $33.8 million for the same period in 2025. The decrease was primarily attributable to lower interest and dividend income, which declined $4.1 million, partially offset by lower interest expense of $1.9 million. NIM was 3.08% for the nine months ended September 30, 2026, compared to 3.25% for the same period in 2025. The decrease of 17 bps primarily reflected lower earning asset yields and higher borrowing and subordinated debt costs, partially offset by lower interest-bearing deposit costs.

Interest and dividend income decreased $4.1 million, or 7.1%, to $54.2 million for the nine months ended September 30, 2026, compared to $58.4 million for the same period in 2025. The decrease was primarily attributable to a $19.9 million decline in average interest-earning assets and a 32 bps decrease in the average yield on interest-earning assets. Average loan balances decreased $15.3 million, while average loan yields declined 34 bps, primarily reflecting maturities and payoffs of higher-yielding loans and the impact of certain nonperforming loan relationships for which specific reserves had previously been established. In addition, average taxable and tax-exempt securities balances decreased $9.3 million and $1.2 million, respectively, while their average yields declined 22 bps and 82 bps, respectively. During 2026, the Company reallocated a portion of underutilized liquidity into the AFS securities portfolio, contributing to higher securities balances later in the period, although average securities balances for the nine-month period remained below the prior-year level.

Compared to the prior-year period, decreases in loan interest income, taxable securities income, and tax-exempt securities income of $3.0 million, $1.1 million, and $248,000, respectively, were partially offset by a $113,000 increase in income from federal funds sold and interest-earning deposits.

Interest expense decreased $1.9 million, or 7.8%, to $22.6 million for the nine months ended September 30, 2026, compared to $24.5 million for the same period in 2025. The decrease was primarily attributable to a $3.0 million reduction in interest expense on deposits, reflecting a $44.1 million decline in average interest-bearing deposit balances and a 29 bps decrease in their average cost. This decrease was partially offset by a $598,000 increase in interest expense on borrowings and a $511,000 increase in interest expense on subordinated debt. Average borrowing balances increased $17.4 million and the average cost of borrowings increased 19 bps compared to the prior-year period. In addition, the average cost of subordinated debt increased 226 bps following its transition from fixed-rate to floating-rate interest after October 15, 2025.

Rate/Volume Analysis

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

	Three months ended September 30, 2026 vs. 2025 Increase/(Decrease) Due to			Nine months ended September 30, 2026 vs. 2025 Increase/(Decrease) Due to		
Unaudited *(In thousands)*	**Volume**	**Rate**	**Total Increase (Decrease)**	**Volume**	**Rate**	**Total Increase (Decrease)**
Interest Income:						
Loans	$ (311)	$ (809)	$ (1,120)	$ (672)	$ (2,299)	$ (2,971)
Taxable investment securities	311	(184)	127	(346)	(693)	(1,039)
Tax-exempt investment securities	(18)	(66)	(84)	(45)	(203)	(248)
Interest-earning deposits	27	(42)	(15)	123	(10)	113
Total interest income	9	(1,101)	(1,092)	(940)	(3,205)	(4,145)
Interest Expense:						
NOW accounts	(8)	7	(1)	54	(93)	(39)
Money management accounts	(1)	-	(1)	(1)	(2)	(3)
MMDA accounts	203	(359)	(156)	670	(1,067)	(397)
Savings and club accounts	(2)	(10)	(12)	(7)	(28)	(35)
Time deposits	(847)	(51)	(898)	(1,979)	(563)	(2,542)
Subordinated debt	(1)	174	173	(1)	512	511
Borrowings	666	26	692	495	103	598
Total interest expense	10	(213)	(203)	(769)	(1,138)	(1,907)
Net change in net interest income	$ (1)	$ (888)	$ (889)	$ (171)	$ (2,067)	$ (2,238)

Deposits

The Company's deposit base is primarily 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 decreased by $25.3 million, or 2.1% from December 31, 2025. The decrease in deposits during the nine months ended September 30, 2026, reflects municipal deposit seasonality, intentional runoff of higher-cost brokered deposits and non-relationship time deposits, partially offset by growth in MMDA, noninterest-bearing, and interest-bearing deposits.

At September 30, 2026, 82.6% of the Company's deposit base of $1.16 billion consisted of core deposits. Core deposits, which exclude brokered deposits and certificates of deposit of $250,000 or more, are considered to be more stable and generally provide the Company with a lower cost of funds than time deposits of $250,000 or more. The Company will continue to emphasize retail and business core deposits in the future by providing depositors with a full range of deposit product offerings and will maintain its recent focus on deposit gathering within the Syracuse market.

A summary of deposits by category at September 30, 2026 and December 31, 2025 is as follows:

(In thousands)	September 30, 2026	December 31, 2025
Savings accounts	$ 122,450	$ 122,718
Time accounts	246,464	317,201
Time accounts in excess of $250,000	130,056	134,779
Money management accounts	7,837	9,539
MMDA accounts	326,608	285,564
Demand deposit interest-bearing	116,290	110,702
Demand deposit noninterest-bearing	203,694	196,377
Mortgage escrow funds	5,112	6,968
Total Deposits	$ 1,158,511	$ 1,183,848

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

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

	September 30, 2026			December 31, 2025		
(In thousands)	Nonbrokered	Brokered	Total	Nonbrokered	Brokered	Total
Savings accounts	$ 122,450	$ -	$ 122,450	$ 122,718	$ -	$ 122,718
Time accounts	187,128	59,336	246,464	220,288	96,913	317,201
Time accounts of $250,000 or more	130,056	-	130,056	134,779	-	134,779
Money management accounts	7,837	-	7,837	9,539	-	9,539
MMDA accounts	326,608	-	326,608	285,564	-	285,564
Demand deposit interest-bearing	104,290	12,000	116,290	105,702	5,000	110,702
Demand deposit noninterest-bearing	203,694	-	203,694	196,377	-	196,377
Mortgage escrow funds	5,112	-	5,112	6,968	-	6,968
Total Deposits	$ 1,087,175	$ 71,336	$ 1,158,511	$ 1,081,935	$ 101,913	$ 1,183,848

Provision for Credit Losses

We establish a PCL, 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 ACL, 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 PCL represents management's estimate of the amount necessary to maintain the ACL at an adequate level.

The Company recorded $231,000 in PCL for the three-month period ended September 30, 2026, compared to $3.5 million for the three-month period ended September 30, 2025. The provisioning in the third quarter of 2026 and 2025 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. PCL decreased $3.3 million for the third quarter of 2026 compared to the same period in 2025, primarily due to elevated provisioning associated with certain commercial loan relationships in the prior-year period. The Bank's credit sensitive portfolios continue to be carefully monitored, and the Bank will consistently apply its loan classification and reserve building methodologies to the analysis of these portfolios. Please refer to the asset quality section below for a further discussion of asset quality as it relates to the ACL.

The Company measures delinquency based on the amount of past due loans (defined as loans equal to or greater than 30 days past due) as a percentage of total loans. The ratio of delinquent loans to total loans was 4.6% and 5.9% at September 30, 2026, and December 31, 2025, respectively. Delinquent loans (numerator) decreased $12.5 million from December 31, 2025 to September 30, 2026. Total loan balances (denominator) decreased $24.3 million from December 31, 2025 to September 30, 2026. The decrease in delinquent loans from December 31, 2025 to September 30, 2026 was driven by loans delinquent 30-59 days and loans delinquent 60-89 days, which decreased by $5.1 million and $8.7 million, respectively, partially offset by an increase of $1.3 million in loans delinquent 90 days and over.

Noninterest Income

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

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

Unaudited	**For the three months ended,**				**For the nine months ended,**			
(In thousands)	**September 30, 2026**	**September 30, 2025**	**Change**		**September 30, 2026**	**September 30, 2025**	**Change**	
Service charges on deposit accounts	$ 391	$ 404	$ (13)	-3.2%	$ 1,148	$ 1,158	$ (10)	-0.9%
Earnings and gain on bank owned life insurance	281	286	(5)	-1.7%	867	604	263	43.5%
Loan servicing fees	64	113	(49)	-43.4%	221	311	(90)	-28.9%
Debit card interchange fees	199	217	(18)	-8.3%	526	398	128	32.2%
Other charges, commissions and fees	255	229	26	11.4%	683	743	(60)	-8.1%
Noninterest income before gains and losses	1,190	1,249	(59)	-4.7%	3,445	3,214	231	7.2%
Gain (loss) on sales and redemptions of investment securities	39	(12)	51	425.0%	34	(20)	54	270.0%
Gain on sales of loans and foreclosed real estate	96	121	(25)	-20.7%	377	269	108	40.1%
Fair value adjustment to loans held-for-sale	-	-	-	N/M	(203)	(3,064)	2,861	93.4%
Net unrealized gain on marketable equity securities	72	145	(73)	-50.3%	95	783	(688)	-87.9%
Total noninterest income	$ 1,397	$ 1,503	$ (106)	-7.1%	$ 3,748	$ 1,182	$ 2,566	217.1%

N/M - Not meaningful

Noninterest income was $1.4 million for the third quarter of 2026, compared to $1.5 million in the same period of 2025.

Compared to the year-ago period, third quarter 2026 noninterest income reflected decreases of $49,000 in loan servicing fees, $18,000 in debit card interchange fees, $13,000 in service charges on deposit accounts, and $5,000 in earnings and gains on BOLI attributed to a $32,000 net death benefit recorded in the third quarter of 2025. In addition, compared to the year-ago period, third quarter 2026 noninterest income reflected a $51,000 increase in net realized gains on sales and redemptions of investment securities and a $25,000 decrease in gains on sales of loans and foreclosed real estate. Net unrealized gains on marketable equity securities, which include three limited partnership equity method investments, remained a variable contributor to noninterest income, decreasing $73,000 in the third quarter of 2026 from the year-ago period.

For the nine months ended September 30, 2026, noninterest income was $3.7 million, compared to $1.2 million in the same period of 2025. The year-over-year increase primarily reflected the absence of the $3.1 million fair value adjustment recorded on loans transferred to held-for-sale status in the second quarter of 2025 and subsequently sold to a financial buyer in July 2025, partially offset by a $203,000 fair value adjustment recognized in the first quarter of 2026 on substandard loans transferred to held-for-sale status in the fourth quarter of 2025.

Changes in noninterest income during the first nine months of 2026, compared to the same period in 2025, also reflected increases of $263,000 in earnings and gains on BOLI and $128,000 in debit card interchange fees, partially offset by decreases of $90,000 in loan servicing fees and $10,000 in service charges on deposit accounts. Noninterest income also reflected increases of $108,000 in gains on sales of loans and foreclosed real estate and $54,000 in gains on sales and redemptions of investment securities. Net unrealized gains on marketable equity securities, which include three limited partnership equity method investments, remained a variable contributor to noninterest income, decreasing $688,000 during the first nine months of 2026 compared to the same period in 2025.

Noninterest Expense

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

Unaudited	For the three months ended,				For the nine months ended,			
(In thousands)	September 30, 2026	September 30, 2025	Change		September 30, 2026	September 30, 2025	Change	
Salaries and employee benefits	$ 5,611	$ 5,005	$ 606	12.1%	$ 15,121	$ 13,980	$ 1,14 1	8.2%
Building and occupancy	1,351	1,399	(48)	-3.4%	4,058	3,976	82	2.1%
Data processing	705	641	64	10.0%	2,212	1,974	238	12.1%
Professional and other services	617	709	(92)	-13.0%	1,925	2,093	(168)	-8.0%
Advertising	102	86	16	18.6%	257	304	(47)	-15.5%
FDIC assessments	276	171	105	61.4%	712	400	312	78.0%
Audits and exams	140	132	8	6.1%	419	306	113	36.9%
Amortization expense	156	156	-	0.0%	470	470	-	0.0%
Community service activities	15	10	5	50.0%	37	49	(12)	-24.5%
Foreclosed real estate expense	80	26	54	207.7%	107	76	31	40.8%
Other expenses	301	602	(301)	-50.0%	1,390	1,803	(413)	-22.9%
Total noninterest expense	$ 9,354	$ 8,937	$ 417	4.7%	$ 26,708	$ 25,431	$ 1,27 7	5.0%

N/M - Not meaningful

Noninterest expense totaled $9.4 million in the third quarter of 2026, increasing $417,000, or 4.7%, from $8.9 million in the third quarter of 2025.

Salaries and benefits expense increased compared to the year-ago quarter, reflecting selective senior hires, including client-facing commercial banking talent, and moderate salary increases. The increase in salaries and benefits was also affected by the reclassification of certain non-cash costs from other expense categories to compensation-related costs, partially offset by the favorable impact of non-operating recoveries from medical claim refunds under the Company's self-insured health plan. Correspondingly, other expenses decreased compared to the year-ago quarter, primarily due to the reclassification of these non-cash costs.

Building and occupancy expense was $1.4 million in the third quarter of 2026, decreasing $48,000 from the year-ago quarter, primarily reflecting lower facility maintenance and repair costs, including ATM servicing, branch maintenance, and property improvement activities. Professional and other services expense decreased $92,000 from the year-ago quarter, primarily reflecting lower legal and consulting fees. Partially offsetting these decreases, data processing expense increased $64,000 from the year-ago period, primarily reflecting higher technology maintenance costs, while FDIC assessments increased $105,000, reflecting higher assessment accruals.

For the nine months ended September 30, 2026, noninterest expense increased $1.3 million, or 5.0%, to $26.7 million from $25.4 million for the same period in 2025. The drivers of the year-to-date increase were consistent with those described for the current quarter, including higher salaries and employee benefits expense of $1.1 million, data processing expense of $238,000, and FDIC assessments of $312,000, partially offset by lower other expenses of $413,000 and lower professional and other services expense of $168,000. Comparisons to the first nine months of 2025 reflect the absence of FDIC assessment expense in the second quarter of 2025 due to modest over-accruals in prior periods, while normalized FDIC assessment accruals resumed in the third quarter of 2025.

Income Tax Expense

Income tax expense increased to $454,000 for the three months ended September 30, 2026, compared to $46,000 for the same period in 2025. The increase was primarily attributable to a $1.9 million increase in income before taxes. The effective income tax rate increased to 18.0% for the three months ended September 30, 2026, compared to 6.8% for the same period in 2025. The higher effective tax rate primarily reflected increased pretax income and fluctuations in permanent tax differences.

Income tax expense increased to $1.6 million for the nine months ended September 30, 2026, compared to $797,000 for the same period in 2025. The increase was primarily attributable to a $4.3 million increase in income before taxes. The effective income tax rate remained 18.0% for both the nine months ended September 30, 2026 and 2025. The Company's effective tax rate remained relatively consistent between periods, as the impact of changes in pretax income and fluctuations in permanent tax differences was generally proportionate in both periods.

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, BOLI, and, to a much lesser degree, the utilization of historic and low income housing tax credits. In addition, the tax effects of certain incentive stock option activity may reduce the Company’s effective tax rate on a sporadic basis.

Earnings per Share

Basic and diluted earnings per Voting and Series A Non-Voting share were $0.33 and $0.32 per share, respectively, for the third quarter of 2026. Basic and diluted earnings per Voting and Series A Non-Voting share were both $0.10 per share in the same prior-year period. The increase in EPS primarily reflected higher net income in the third quarter of 2026.

Basic and diluted earnings per Voting and Series A Non-Voting share were $1.13 and $1.12 per share, respectively, for the nine months ended September 30, 2026. Basic and diluted earnings per Voting and Series A Non-Voting share were $0.58 and $0.57 per share, respectively, for the nine months ended September 30, 2025. The increase in EPS primarily reflected higher net income during the first nine months of 2026.

Further information on EPS 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 $65.0 million, or 4.6%, to $1.49 billion at September 30, 2026, compared to $1.43 billion at December 31, 2025. The increase was primarily attributable to growth in investment securities and cash and cash equivalents, partially offset by lower loan balances.

Total investment securities, including investment in FHLB-NY stock, totaled $479.4 million at September 30, 2026, an increase of $63.7 million, or 15.3%, from $415.7 million at December 31, 2025. The increase was primarily attributable to purchases of AFS securities during 2026, which increased AFS securities by $83.2 million. These purchases reflected the strategic use of borrowings to fund investments while preserving flexibility to utilize core deposits to support future loan growth. In addition, investment securities increased due to a $4.5 million increase in FHLB-NY stock and a $705,000 increase in marketable equity securities, partially offset by a $24.7 million decrease in HTM securities.

Loans, net of deferred fees, totaled $873.0 million at September 30, 2026, a decrease of $23.7 million, or 2.6%, from December 31, 2025. The decrease primarily reflected loan maturities, payoffs, and principal amortization that exceeded new loan originations during the period. Consumer and residential loans totaled $342.1 million at September 30, 2026, a decrease of $12.2 million, or 3.5%, from December 31, 2025. Commercial loans totaled $531.6 million at September 30, 2026, a decrease of $12.1 million, or 2.2%, from December 31, 2025.

Total cash and cash equivalents increased $10.5 million, or 33.8%, to $41.7 million at September 30, 2026, compared to December 31, 2025. The increase primarily reflected funding and investment activities during the period.

Liabilities

Total liabilities increased $68.7 million, or 5.3%, to $1.37 billion at September 30, 2026, compared to December 31, 2025. The increase was primarily attributable to higher borrowings, partially offset by lower deposit balances.

Total borrowings increased $97.5 million, or 167.8%, from $58.1 million at December 31, 2025, to $155.5 million at September 30, 2026. The increase primarily reflected a $106.0 million increase in short-term borrowings from FHLB-NY and FRB-NY, partially offset by an $8.5 million decrease in long-term borrowings from FHLB-NY. Borrowings were utilized during the first nine months of 2026 to fund purchases of AFS securities at rates below those of alternative wholesale funding sources, including brokered deposits.

Total deposits decreased $25.3 million, or 2.1%, to $1.16 billion at September 30, 2026, from December 31, 2025, as the Bank continued to utilize pricing and account management strategies to reduce higher-cost brokered deposits and non-relationship time deposits. The change in deposits from the prior period reflected growth in MMDA deposits and both interest- and noninterest-bearing demand deposits, offset by decreases in other deposit categories, including the runoff of higher-cost time deposits.

Shareholders’ Equity

Shareholders' equity decreased $3.7 million, or 3.0%, from $122.5 million at December 31, 2025, to $118.8 million at September 30, 2026. The decrease was primarily attributable to a $10.5 million decline in AOCI and $1.9 million of dividends declared during the nine months ended September 30, 2026, partially offset by net income of $7.2 million and a $1.5 million increase in additional paid-in capital. The reduction in AOCI reflected lower fair values of AFS mortgage-backed securities in a rising interest rate environment, partially offset by favorable interest rate hedging activity.

Capital

Capital adequacy is evaluated primarily by the use of ratios which measure capital against total assets, as well as against total assets that are weighted based on defined risk characteristics. The Company's goal is to maintain a strong capital position, consistent with the risk profile of its banking operations. This strong capital position serves to support growth and expansion activities while at the same time exceeding regulatory standards. At September 30, 2026, the Bank met the regulatory definition of a "well-capitalized" institution, i.e. a total risk-based capital ratio exceeding 10%, a Tier 1 risk-based capital ratio exceeding 8%, CET1 risk-based capital ratio exceeding 6.5%, and a Tier 1 capital to average assets ratio (known as the "leverage ratio") exceeding 5%.

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 CET1 to RWA above the amount necessary to meet its minimum risk-based capital requirements. The buffer is separate from the capital ratios required under PCA standards. In order to avoid these restrictions, the capital conservation buffer effectively increases the minimum levels of the following capital to RWA ratios: (1) Total Capital, (2) Tier 1 Capital and (3) CET1. At September 30, 2026, 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 September 30, 2026								
Total Capital (to risk-weighted assets)	$ 153,870	14.80%	$ 83,178	8.00%	$ 103,972	10.00%	$ 109,171	10.50%
Tier 1 Capital (to risk-weighted assets)	$ 140,742	13.54%	$ 62,383	6.00%	$ 83,178	8.00%	$ 88,376	8.50%
Common Equity Tier 1 (to risk-weighted assets)	$ 140,742	13.54%	$ 46,787	4.50%	$ 67,582	6.50%	$ 72,781	7.00%
Tier 1 Capital (to average assets)	$ 140,742	9.58%	$ 58,756	4.00%	$ 73,445	5.00%	$ 73,445	5.00%
As of December 31, 2025								
Total Capital (to risk-weighted assets)	$ 146,559	14.72%	$ 79,646	8.00%	$ 99,558	10.00%	$ 104,535	10.50%
Tier 1 Capital (to risk-weighted assets)	$ 133,896	13.45%	$ 59,735	6.00%	$ 79,646	8.00%	$ 84,624	8.50%
Common Equity Tier 1 (to risk-weighted assets)	$ 133,896	13.45%	$ 44,801	4.50%	$ 64,712	6.50%	$ 69,690	7.00%
Tier 1 Capital (to average assets)	$ 133,896	9.41%	$ 56,927	4.00%	$ 71,159	5.00%	$ 71,159	5.00%

Non-GAAP Financial Measures

Regulation G, a rule adopted by the 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.

(Dollars in thousands)	September 30, 2026	December 31, 2025
Regulatory Capital Ratios (Bank only)		
Total Capital (to risk-weighted assets)		
Total equity (GAAP)	$ 134,868	$ 138,947
Goodwill	(5,056)	(5,056)
Intangible assets	(4,891)	(5,362)
Addback: Accumulated other comprehensive loss	15,821	5,367
Total Tier 1 Capital	$ 140,742	$ 133,896
Allowance for credit losses (subject to regulatory limits)	13,128	12,663
Total Tier 2 Capital	$ 13,128	$ 12,663
Total Tier 1 plus Tier 2 Capital (numerator)	$ 153,870	$ 146,559
Risk-weighted assets (denominator)	1,039,722	995,575
Total Capital to risk-weighted assets	14.80 %	14.72 %
Tier 1 Capital (to risk-weighted assets)		
Total Tier 1 Capital (numerator)	$ 140,742	$ 133,896
Risk-weighted assets (denominator)	1,039,722	995,575
Total Tier 1 Capital to risk-weighted assets	13.54 %	13.45 %
Tier 1 Capital (to average assets)		
Total Tier 1 Capital (numerator)	$ 140,742	$ 133,896
Total average assets	1,478,839	1,433,594
Goodwill	(5,056)	(5,056)
Intangible assets	(4,891)	(5,362)
Average adjusted assets (denominator)	$ 1,468,892	$ 1,423,176
Total Tier 1 Capital to adjusted assets	9.58 %	9.41 %
Common Equity Tier 1 (to risk-weighted assets)		
Total Common Equity Tier 1 Capital (numerator)	$ 140,742	$ 133,896
Risk-weighted assets (denominator)	1,039,722	995,575
Total Common Equity Tier 1 to risk-weighted assets	13.54 %	13.45 %

	For the three months ended,		For the nine months ended,	
(Dollars in thousands)	September 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
Revenue, pre-tax, pre-provision net income, and efficiency ratio:				
Net interest income	$ 10,711	$ 11,600	$ 31,587	$ 33,825
Total noninterest income	1,397	1,503	3,748	1,182
Net realized gains (losses) on sales and redemptions of investment securities	39	(12)	34	(20)
Gain on sales of loans and foreclosed real estate	96	121	377	269
Fair value adjustment to loans held-for-sale [1]	-	-	(203)	(3,064)
Revenue (non-GAAP) [1]	11,973	12,994	35,127	37,822
Total noninterest expense	9,354	8,937	26,708	25,431
Pre-tax, pre-provision net income (non-GAAP) [2]	$ 2,619	$ 4,057	$ 8,419	$ 12,391
Efficiency ratio (non-GAAP) [3]	78.13 %	68.78 %	76.03 %	67.24 %

[1] Revenue equals net interest income plus total noninterest income less net realized gains or losses on sales and redemptions of investment securities, and sales of loans and foreclosed real estate.
[2] Pre-tax, pre-provision net income equals revenue less total noninterest expense.
[3] Efficiency ratio equals noninterest expense divided by revenue.

Loan and Asset Quality and Allowance for Credit Losses

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

(In thousands)	September 30, 2026	December 31, 2025
Nonaccrual loans:		
Commercial and commercial real estate loans	$ 27,134	$ 24,616
Consumer	1,227	968
Residential mortgage loans	1,895	1,977
Total nonaccrual loans	30,256	27,561
Total nonperforming loans	30,256	27,561
Foreclosed real estate	83	137
Total nonperforming assets	$ 30,339	$ 27,698
Nonperforming loans to total loans	3.47%	3.07%
Nonperforming assets to total assets	2.03%	1.94%

Nonperforming assets include nonaccrual loans, and FRE.

As indicated in the table above, nonperforming assets at September 30, 2026 were $30.3 million, and were $2.6 million greater than the $27.7 million reported at December 31, 2025. The increase from December 31, 2025 primarily reflected certain legacy loans associated with two commercial relationships that may have been less than 90 days delinquent but were identified as having unique risk characteristics through the Company's 2025 portfolio review. Specific reserves for these exposures were established prior to 2026.

Fair values for 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 ACL. Values are derived from appraisals of underlying collateral or DCF 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 ACL 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 ACL was $22.7 million and $29.4 million at September 30, 2026 and December 31, 2025, respectively. The ratio of the ACL to total loans was 2.60% as of September 30, 2026, as compared to 3.28% at December 31, 2025 and 2.08% at September 30, 2025. The Company's ACL fully absorbed third quarter 2026 net charge-offs of $4.3 million, with gross charge-offs partially offset by $197,000 in recoveries. The ACL increased by $10.8 million in the fourth quarter of 2025 as part of the previously disclosed risk-based reserve build for potential exposures to commercial credits identified as having unique risk characteristics through the comprehensive portfolio review completed last year. Management performs a quarterly evaluation of the ACL based on quantitative and qualitative factors and has determined that the current level of the ACL is adequate to absorb the losses in the loan portfolio as of September 30, 2026.

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

At September 30, 2026 and December 31, 2025, the Company had $73.5 million and $89.4 million, respectively, in loans which were individually analyzed, having established specific reserves of $13.0 million and $18.1 million, respectively, on these loans. The $15.9

million decrease in specifically identified loans between these two dates primarily reflected the payoff of two commercial loan relationships totaling $7.6 million in the first six months of 2026 in addition to $5.6 million in year-to-date charge offs of individually evaluated loans which were fully covered by previously established specific reserves.

Appraisals are obtained at the time a real estate secured loan is originated. For commercial real estate held as collateral, the property is generally 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 $71.9 million at September 30, 2026, as compared to $77.2 million at December 31, 2025. Of these loans which have been internally classified as special mention, substandard, or doubtful, $66.9 million were individually evaluated for expected credit losses, while the remaining $5.0 million were collectively evaluated at September 30, 2026.

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

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

Liquidity

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

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

Through the first nine months of 2026, as reflected in the Consolidated Statement of Cash Flows, the Company reported net cash inflows from operating activities of $2.3 million and net cash outflows from investing activities of $62.7 million. Net cash outflows from investing activities were primarily attributable to $79.2 million of net investment securities activity as the Company increased its investment in the AFS securities portfolio and $668,000 of purchases of premises and equipment, partially offset by $17.2 million of net cash inflows from loan activity. The Company reported net cash inflows from financing activities of $70.9 million, primarily due to a $97.4 million increase in net borrowings, partially offset by a $25.3 million decrease in net deposit balances and an aggregate decrease of $1.2 million from all other financing activities, including $1.9 million of dividends paid to common voting and non-voting shareholders and warrant holders.

Management monitors liquidity on a continuous basis through a broad range of internal programs and considers effective liquidity management to be one of its primary objectives. At September 30, 2026, deposits totaled $1.16 billion, of which a portion were nominally uninsured, as they were above the insurance limits established by the FDIC on that date. Of the nominally uninsured deposits at September 30, 2026, $91.0 million were insured through a long-standing reciprocal deposit program managed by a third-party entity. In addition, $125.9 million in municipal deposits are fully protected against principal loss through a collateral program whereby high-quality securities are placed with an independent custodian as collateral. At September 30, 2026, estimated uninsured deposits totaled $163.7 million, or 14.1% of total deposits, compared to $161.1 million, or 13.6% of total deposits, that were considered to be uninsured at December 31, 2025.

The Company has a number of existing credit facilities available to it. At September 30, 2026, total credit available under the existing lines of credit was approximately $292.3 million at FHLB-NY, FRB-NY, and two other correspondent banks. At September 30, 2026, the Company had $155.5 million of the available lines of credit utilized on its existing lines of credit with the remainder of $136.8 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 September 30, 2026, management reported to the Board of Directors that the Company is in compliance with its liquidity policy guidelines.

Off-Balance Sheet Arrangements

The Company is also a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. At September 30, 2026, the Company had $224.9 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 ACL on off-balance sheet credit exposures, unless such commitments are unconditionally cancelable, through the PCL expense. The ACL on off-balance sheet credit exposures as of September 30, 2026 was $727,000 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 CEO and our CFO (the Company's principal executive officer and principal financial officer), management conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2026. The term "disclosure controls and procedures," under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

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

Based on the evaluation of our disclosure controls and procedures as of September 30, 2026, our CEO and CFO concluded that our disclosure controls and procedures were effective as of that date.

We did not make any changes in internal control over financial reporting during the quarter ended September 30, 2026 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

At September 30, 2026, the Company is not currently a named party in a legal proceeding, the outcome of which would have a material and adverse effect on the financial condition or results of operations of the Company.

Item 1A. Risk Factors

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

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

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
July 1, 2026 through July 31, 2026	-	$ -	-	74,292
August 1, 2026 through August 31, 2026	-	$ -	-	74,292
September 1, 2026 through September 30, 2026	-	$ -	-	74,292

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

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

During the third quarter of 2026, 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.

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Item 6. Exhibits

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

SIGNATURES

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

PATHFINDER BANCORP, INC.
(registrant)

November 16, 2026 /s/ James A. Dowd
James A. Dowd
President and Chief Executive Officer

November 16, 2026 /s/ Justin K. Bigham
Justin K. Bigham
Executive Vice President, Chief Financial Officer

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

Certification of Chief Executive Officer

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

I, James A. Dowd, certify that:

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

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting, to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

November 16, 2026

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

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

Certification of Chief Financial Officer

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

I, Justin K. Bigham, certify that:

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

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting, to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

November 16, 2026

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

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

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

In connection with the Quarterly Report of Pathfinder Bancorp, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2026 as filed with the Securities and Exchange Commission (the "Report"), the undersigned hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

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

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

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

November 16, 2026

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

November 16, 2026

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