



**ANNUAL USE OF CAPITAL SURVEY - 2009**

**NAME OF INSTITUTION**

(Include Holding Company Where Applicable)

Pathfinder Bancorp, Inc. Subsidiary Bank - Pathfinder Bank

Person to be contacted regarding this report:	James A. Dowd, SVP, CFO
UST Sequence Number:	1304
CPP Funds Received:	6,771,000
CPP Funds Repaid to Date:	0
Date Funded (first funding):	Sep 11, 2009
Date Repaid <sup>1</sup> :	N/A

RSSD: (For Bank Holding Companies)	2596776
Holding Company Docket Number: (For Thrift Holding Companies)	3708
FDIC Certificate Number: (For Depository Institutions)	15977
City:	Oswego
State:	New York

<sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

*American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.*

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	In the 6+ months since receiving the CPP funds on September 11, 2009, Pathfinder Bancorp, Inc. has increased the loan portfolio by 3.1%, on \$24,480,000 in loan originations. See additional comments (1) on last page
<input checked="" type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	Residential Real Estate: Originations: \$9,818,000 Portfolio Growth: 2.2% Commercial Real Estate: Originations: \$4,378,000 Portfolio Growth: 6.5% Small Business: Originations: \$7,417,000 Portfolio Growth: 3.1% Other: Originations: \$2,857,000 Portfolio Growth: 3.2%
<input type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	

<input type="checkbox"/>	Make other investments	
<input type="checkbox"/>	Increase reserves for non-performing assets	
<input type="checkbox"/>	Reduce borrowings	
<input type="checkbox"/>	Increase charge-offs	
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	While the Bank has utilized CPP capital to increase lending, the Bank's Tier 1 Leverage Ratio has increased from 6.57% at June 30, 2009, prior to CPP funding, to approximately 8.36% at March 31, 2010.

What actions were you able to avoid because of the capital infusion of CPP funds?

Given that the Board of Directors established a Tier 1 Leverage Ratio target of 8.00% during the first quarter of 2009, and the Bank's Tier 1 leverage ratio was 6.67% at the time of the new target, the Bank had to either; 1) increase capital or; 2) decrease assets.

Absent the CPP capital funding, the Bank would have been inclined to significantly reduce its loan originations to the meet the new target capital ratio.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

Additional Comment (1)

The Bank applied for participation in the Capital Purchase Plan in November 2008. However, rules for mutual holding companies were not promulgated until the end of July 2009. The Board of Directors and Management of Pathfinder engaged in extensive capital planning through the last quarter of 2008 and the first half of 2009. On September 11, 2009, Pathfinder Bancorp, Inc., the mid-tier holding company parent of Pathfinder Bank, closed on the Capital Purchase Plan transaction whereby the holding company sold \$6,771,000 in preferred stock to the United States Department of Treasury and downstreamed \$5.5 million to Pathfinder Bank. The Bank's Tier One Leverage Ratio prior to the transaction was 6.57% and was 8.36% after the transaction was completed.

Pathfinder Bank had been growing and diversifying its loan portfolio over the past several years leading into 2009. Loan growth in 2007 was 9.6% and in 2008 was 12.2%. A change in emphasis from residential to small business lending enhanced the commercial loan portfolio from 30.1% at the end of 2006 to 33.2% at the end of 2008. As the Bank entered 2009, concerns regarding capital levels relative to the risk environment created a pause in continued asset growth.

Through the first 3 quarters of 2009, the Bank held asset growth stable by replacing cash flow from the security portfolio with loan growth. The loan portfolio grew by 1.9% during the first 3 quarters while the investment securities portfolio was reduced by 9.1%.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.