

RESEARCH UPDATE

Dave Storms, CFA

dave@stonegateinc.com

214-987-4121

Market Statistics

| | |
|---------------------------|-------------------|
| Price | \$ 13.47 |
| 52 week Range | \$12.10 - \$21.99 |
| Daily Vol (3-mo. average) | 2,770 |
| Market Cap (\$M): | \$ 81.1 |
| Enterprise Value (\$M): | \$ 184.5 |
| Shares Outstanding: (\$M) | 6.0 |
| Float (M) | 3.1 |
| Public Ownership | 55.6% |
| Institutional Ownership | 18.5% |

Financial Summary

| | |
|--------------|-----------|
| Cash (\$M) | \$ 32.32 |
| Cash/Share | \$ 5.12 |
| Debt (\$M) | \$ 135.78 |
| Equity (\$M) | \$ 112.36 |
| Equity/Share | \$ 18.63 |

| FYE: Dec | 2022 | 2023E | 2024E |
|-----------------|---------|---------|---------|
| (in \$M) | | | |
| Interest Income | \$ 51.1 | \$ 56.3 | \$ 62.0 |
| Chng% | 12% | 10% | 10% |
| Net Income | \$ 12.9 | \$ 14.2 | \$ 17.8 |
| EPS | \$ 1.9 | \$ 2.3 | \$ 3.0 |
| P/E | 7.0x | 6.0x | 4.5x |



COMPANY DESCRIPTION

Pathfinder Bancorp operates as a holding company that owns Pathfinder Bank (the Company or Bank), which provides various banking and financial products and services primarily in Central New York. The Bank is primarily engaged in the business of attracting deposits from the general public in the Bank's market areas. The Bank has a loan portfolio secured by commercial real-estate, residential real-estate, and originates unsecured small business loans, and consumer loans. The Company is also involved in the property, casualty, and life insurance brokerage business. The Company primarily serves individuals, families, small to mid-size businesses, and municipalities. Pathfinder Bancorp was founded in 1859 and is headquartered in Oswego, NY.

PATHFINDER BANCORP INC. (NASDAQ: PBHC)

Company Summary

Pathfinder Bank is focused on measured growth and risk mitigation:

Pathfinder Bank is positioned as the market leader in Oswego County, NY by deposit market share and has a growing presence in the attractive Onondaga County, NY market. Given its market position, the Bank has shown consistent balance sheet growth over the past 5 years, with total loan CAGR of 10.3% and total deposit CAGR of 10.6% since 2016. Additionally, the Bank increased allowance for loan losses (ALL) from 0.93% of total loans on March 31, 2022, to 2.10% on March 31, 2023. This is expected to be a short-term development as management has taken a conservative approach towards risk management given the current macro environment.

Community banks on strong footing: In the wake of the recent bank failures there has been increased scrutiny in the banking sector. When compared to larger regional banks, we believe that local banks like PBHC are better suited to weather this bank sector turmoil. This is in large part due to community banks in aggregate having less than 10% of their accounts uninsured by the FDIC as compared to SVB's 95% of accounts being uninsured. It is also notable that banks now have access to the Bank Term Funding Program ("BTFP"), providing increased liquidity and confidence in the banking sector.

Well diversified portfolio with good credit quality: Pathfinder Bank's loan portfolio is well diversified and primarily consists of commercial real-estate loans, commercial loans, and residential mortgage loans. Net charge-offs to average loans were 0.01% in 1Q23 and 0.04% in 4Q22.

Improving profitability metrics: The Bank has experienced improving metrics over the years with a 32bps increase in ROAA (return on avg. assets) and a 386bps increase in ROAE (return on avg. equity) from 2019 to 1Q23. Notably, the Company has seen decreased metrics year over year, though this is expected to be a short-term effect from the increase in provision for credit losses as these metrics are expected to increase sequentially over the balance of 2023.

Pathfinder Bank is well capitalized: At the end of 1Q23, the Bank's Tier 1 capital ratio was 9.68%. Additionally, its Total Capital ratio was 15.11% as of March 31, 2023. The Company has historically been proactive in supplementing its ratios for future growth as evidenced by its subordinated debt offerings in FY15 and FY20, and an equity offering in FY19. Lastly, the Company has \$15.2M in cash as of 1Q23.

Valuation: We are using P/TBV and P/E multiples to frame our valuation of Pathfinder Bank. Using a P/TB value range of 1.0x to 1.2x, with a mid-point of 1.1x we arrive at a valuation range of \$17.75 to \$21.30, with a mid-point of \$19.53. When applying a P/E range of 7.5x to 9.5x with a midpoint of 8.5x we arrive at a valuation range of \$16.95 to \$21.47 with a midpoint of \$19.21. Based on the factors laid out on Page 8 of this report we believe PBHC should be trading more in line with comps, which is reflected by the multiples.

Business Overview

Pathfinder Bancorp was founded in 1859 and is headquartered in Oswego, NY. Pathfinder Bancorp operates as a holding company that owns Pathfinder Bank (the Company or the Bank). Pathfinder Bank provides various banking and financial products and services in Central New York. The Company primarily serves individuals, families, small to mid-size businesses, and municipalities.

The Bank is primarily engaged in the business of attracting deposits from the general public in the Bank's market areas. The Bank then invests these deposits, together with other sources of funds, in loans that are secured by commercial and residential real estate, and commercial business and other consumer assets other than real estate. Additionally, the Bank originates unsecured small business loans and consumer loans. The Company is also involved in the property, casualty, and life insurance brokerage business.

Exhibit 1: Company Location

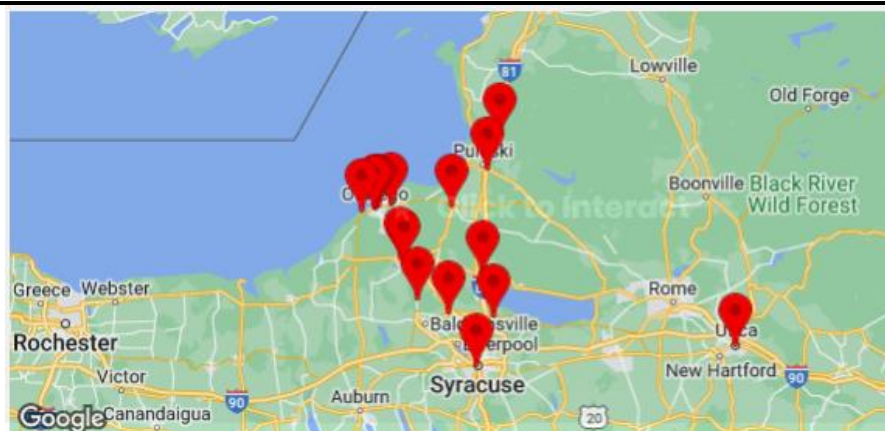


Source: Company Reports

Pathfinder Bank performance is tied to its primary market area, which is Oswego County and Onondaga County in Central New York. The economies of these areas are driven primarily by manufacturing, energy production, health care, education, and government. More recently there has been an increase in emergence technology commercialization in the areas of bioprocessing, medical devices, aircraft systems, and renewable energy. According to independent market surveys, median home values in Onondaga County and Oswego County were \$204,700 and \$132,400, respectively.

As of September 30, 2022, the Company operated through 11 full-service offices in Oswego and Onondaga counties. Of the 11 branch offices, 7 branch offices are in Oswego County, and 4 branch offices are in Onondaga County. The Bank also operates one limited purpose office located in Oneida County.

Exhibit 2: Central New York Branch & ATM Locations



Source: Company Reports

The Bank has a leading market position by deposit market share in Oswego County. And the Bank has an increasing presence in Onondaga County. As of June 2022, the Company held 48.7% of all deposits in Oswego County with an additional 2.0% of deposits in Onondaga County. Over these two

markets PBHC has the fifth largest combined market share out of the 15 companies in the region, accounting for 7.7% of the total market.

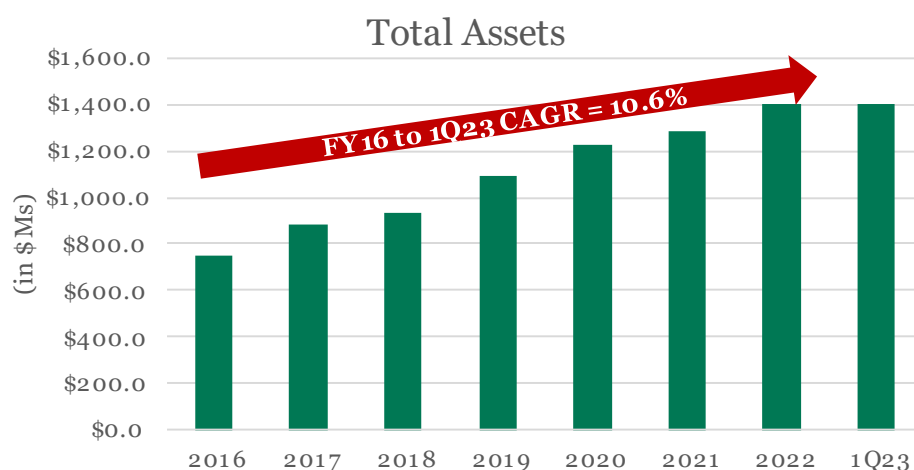
The Company competitively positions itself by focusing on building and developing profitable consumer and commercial customer relationships, while maintaining its role as a community bank. The Company competes for deposits by offering a high level of personal service, a wide range of competitively priced financial services, and a well distributed network of branches, ATMs, and electronic banking.

For its loans, the Bank competes through competitive pricing, its experienced and active loan officers, local knowledge of its markets and local decision making, strong community support and involvement, and a highly reputable brand.

Pathfinder Bank has been successful in growing within its market area as evidenced by the growth in total assets.

Since 2016, the Bank has grown its assets by an 10.6% CAGR from \$0.8B at the end of FY16 to \$1.4B at the end of 1Q23. Prior to 2019, the Bank laid out a strategic goal of hitting \$1B in total assets. Having accomplished this objective, in May 2019, the Company shifted its strategic focus toward improving earnings.

Exhibit 3: Historical Total Asset Growth



Source: Company Reports

The Company's new strategic focus rests on a few tenants, which we outline below:

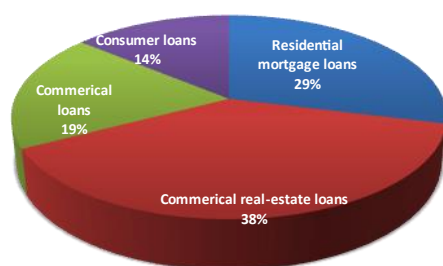
- ✓ Lower costs of funds and interest rate sensitivity through a long-term shift in deposit mix to non-maturity deposits; specifically, business and retail checking deposits.
- ✓ Enhance fee income by analyzing market rates and analyzing internal practices to ensure that the Bank receives value for its services that are in-line with peer banks and credit unions in its market.
- ✓ Manage operating expenses to ensure a rate of growth in revenue that exceeds its rate of growth in operating expenses without compromising its service model and risk management practice.

Loan Portfolio

The Company's primary lending activities are originating commercial real-estate and commercial loans, most of which have periodically adjustable interest rates and one-to-four family residential real-estate loans, the majority of which have fixed interest rates. To diversify its portfolio, increase revenues, and make the loan portfolio less rate sensitive, the Company has actively pursued an increase to its commercial real-estate and commercial business lending activities.

At 1Q23 end, Pathfinder's loan portfolio was \$911.2M and consisted primarily of commercial real-estate loans, residential mortgage loans, commercial loans, and consumer loans.

Exhibit 4: Loan Portfolio Composition



Source: Company Presentation

Within the commercial loan portfolio, real estate represents the lion's share at over half the portfolio, with lines of credit, and other commercial/industrial loans.

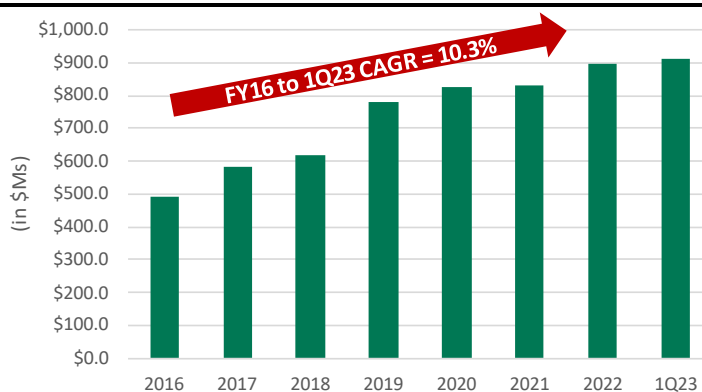
The Company believes that commercial real-estate loans will continue to provide growth opportunities. As such, the Bank expects to increase this business line with target loan sizes of \$500K to \$2.0M to small businesses and real-estate projects in its market area. Importantly, commercial real-estate loans are secured by properties such as multi-family residential, office, retail, warehouse, and owner-occupied commercial properties.

On its commercial loans, including commercial term loans and commercial lines of credit, the loans are typically secured by equipment, furniture and fixtures, inventory, accounts receivable, or other business assets. Its commercial loans are typically adjustable-rate lines, indexed to the prime interest rate.

On residential real-estate loans, the Company's lending activities are focused on originating one-to-four family, owner-occupied residential loans. Substantially all these loans are secured by properties located in its market area, and typically have terms up to 30 years, although the Bank typically sells the majority of its originated residential mortgage loans, with stated maturities greater than 15 years, in the secondary market.

As mentioned, total loans at 1Q23 end, were \$911.2, an increase of \$77.5M or 9.3% compared to \$833.7M at the end of FY21. Given that the Company surpassed its \$100M milestone in total shareholder equity, it intentionally slowed asset growth and is reducing its asset duration to better solidify its balance sheet given potential headwinds in recent fiscal and monetary policy.

Exhibit 5: Loan Growth Trends



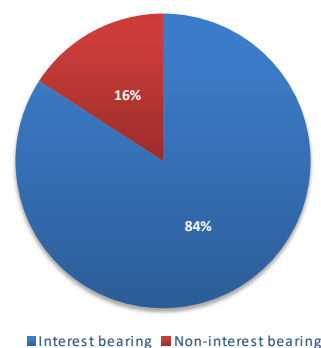
Source: Company Presentation

Deposits

Deposits are the primary source of funds for the Bank to use in its lending and investment activities. Most of the Bank's depositors are individuals or businesses who work, reside, or operate in Oswego and Onondaga Counties. The Bank offers a variety of deposits including:

- Checking
- Savings
- Money market deposit accounts
- CDs

Exhibit 6: Deposit Composition



Source: Company Reports

Total deposits in 1Q23 were \$1.14B, an increase of \$88.9M or 8.4% compared to \$1.06B at the end of FY21.

Net Interest Income and Margins

Net interest margin (NIM) is a good indicator of how profitable banks are through their investments.

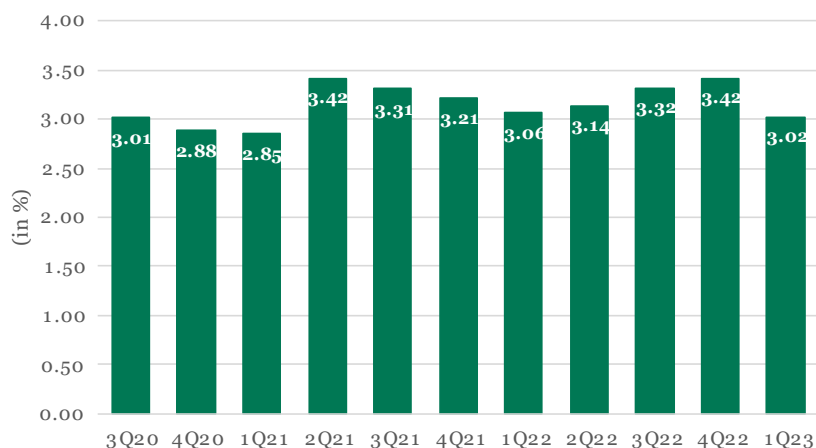
While NIM declined due to the impact of COVID-19, as mentioned, in May 2019 the Company shifted its strategic focus toward improving earnings. Since then, NIM has been more consistent, above 3.0% over the last 8 quarters. Notably in 2022 the NIM increased 3bps year over year thanks to an increase in both interest earning assets and the yield on these assets outpacing interest earning liabilities.

Exhibit 7: NIM Trends



Source: Company Presentation

Exhibit 8: Trailing 10 Quarter NIM Trends



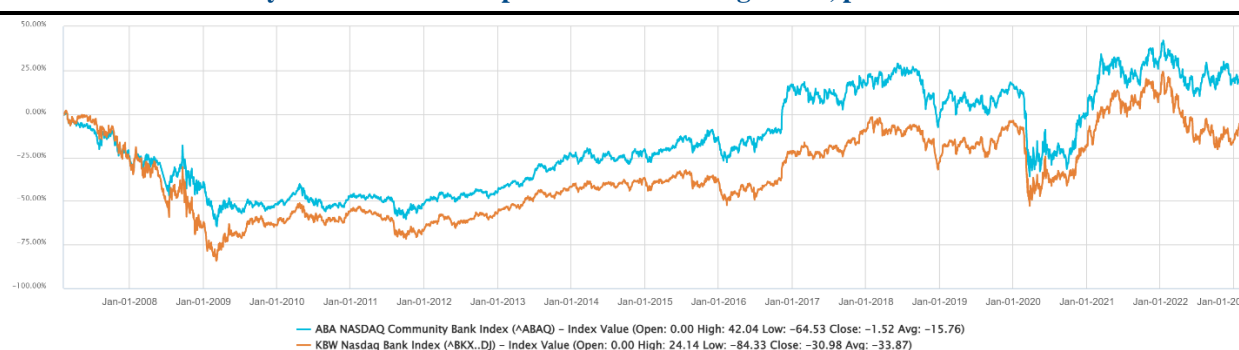
Source: Company Reports

Community Banking Market Environment

Given the current market environment in the wake of the highly publicized bank collapses there has been increased scrutiny placed on the banking sector. We believe that most of the volatility found in community banks related to this is unwarranted, as there are a significant number of differences between community banks like PBHC and regional banks such as SVB. Community banks tend to be more insulated from bank runs due to ~90% of their accounts being FDIC insured on average. This is in comparison to SVB, which only had ~5% of their accounts insured. Community banks also tend to be better diversified across loan holders as opposed to SVB which loaned heavily to the venture capital industry. We believe that it is unlikely that depositors or loan holders will be bringing their business to national banks due to the potential for decreased service quality and increased fees, in addition to the friction of changing banking institutions.

Additionally, we note that the community bank sector has seen increased deposit activity since the SVB collapse (per Bloomberg). We believe this can be attributed to depositors moving out of regional banks and into community banks.

Exhibit 9: Community bank returns compared to the banking sector, post-GFC



Source: Capital IQ

This combination of secure deposits along with the increased inflows makes us believe that the historical trend of heightened market volatility presenting an opportunistic time to invest into community banks will hold true following this market event. This historical trend is exemplified by Exhibit 9, showing the Nasdaq Community Bank Index (^ABAAQ) outperforming the Nasdaq Bank Index (^BKX..DJ) since the market peak prior to the GFC.

Risks

Geographic concentration – Pathfinder Bank is largely concentrated in the state of New York, which exposes it to risks associated with lack of geographic diversification. A local or regional economic downturn could adversely affect the Company's profitability.

Changes in interest rates – Pathfinder Bank's results depend on its net interest income; should the rates it earns on loans, securities and other interest-bearing assets fluctuate faster than the rates it is required to pay on deposits and borrowed funds, results would suffer.

Security of systems – Any material breaches in the security of Pathfinder Bank's banking systems could cause material losses for the Bank. Protecting sensitive consumer data is essential as is maintenance and backup of key financial and customer information.

Failure to stay competitive – Pathfinder Bank operates in an extremely competitive marketplace, and failure of its branches to stay competitive in its respective local markets could cause significant harm to financial results and result in closures; competition continues to increase as consolidation occurs in the industry and changes to regulations affect the business. Pathfinder Bank is much smaller than certain competitors that have access to significantly more resources when compared to Pathfinder Bank. Additionally, technology now enables banking online which broadens the reach of the competition, and Pathfinder Bank faces higher costs than the newer trending online financial services organizations that lack physical branches.

Trading of common shares is limited – Trading in the Pathfinder Bancorp's common shares is not very active, which could cause concern for current and future shareholders, and the limited trading can cause exaggerated price volatility for shares of Pathfinder Bancorp.

Access to future capital – Should the Company incur significant loan losses, desire to execute acquisitions, or require additional funds for other operational purposes, the timing and terms of the capital may not be favorable given certain economic and/or market conditions.

External shocks – War, terrorism, other acts of violence or natural or manmade disasters such as a global pandemic may affect the markets in which the Company operates, the Company's customers, the Company's delivery of products and customer service, and could have a material adverse impact on our business, results of operations, or financial condition.

VALUATION SUMMARY

We are using a P/TBV and P/E to frame our valuation of Pathfinder Bank. Below is our comp table.

| Comparative Analysis | | | | | | | | | | | | | | | | | |
|--|--------|-----------|-----|----------|-----------------|----------|----------|---------|---------|---------|-----------|-----------|------|-------|-------------------|------|-------|
| Consolidated Statements of Income (in \$Ms, except per share amounts) (all figures in \$M expect per share information) | | | | | | | | | | | | | | | | | |
| Name | Ticker | Price (1) | S/O | Mrkt Cap | Financial (MRQ) | | | EPS (2) | | | Valuation | | | | Profitability (3) | | |
| | | | | | Assets | BV/sh | TBV/sh | 2022 | LTM | 2023E | P/E LTM | P/E 2023E | P/BV | P/TBV | NIM | ROA | ROE |
| Norwood Financial Corp. | NWFL | \$ 24.12 | 8.1 | \$ 194.6 | \$ 2,104.4 | \$ 21.68 | \$ 18.05 | \$ 3.58 | \$ 2.65 | \$ - | 9.1x | nm | 1.1x | 1.3x | 3.5% | 1.3% | 15.4% |
| Chemung Financial Corporation | CHMG | \$ 35.40 | 4.7 | \$ 166.7 | \$ 2,654.2 | \$ 37.66 | \$ 33.02 | \$ 6.13 | \$ 4.96 | \$ 5.38 | 7.1x | 6.6x | 0.9x | 1.1x | 3.1% | 1.1% | 16.1% |
| Evans Bancorp, Inc. | EVBN | \$ 23.73 | 5.4 | \$ 128.4 | \$ 2,148.3 | \$ 29.24 | \$ 26.68 | \$ 4.04 | \$ 3.50 | \$ 3.04 | 6.8x | 7.8x | 0.8x | 0.9x | 3.5% | 1.1% | 14.3% |
| Union Bankshares, Inc. | UNB | \$ 21.75 | 4.5 | \$ 98.0 | \$ 1,362.1 | \$ 13.44 | \$ 13.44 | \$ 2.79 | \$ 2.19 | \$ - | 9.9x | nm | 1.6x | 1.6x | 3.3% | 1.0% | 20.2% |
| Middlefield Banc Corp. | MBCN | \$ 25.23 | 8.1 | \$ 204.1 | \$ 1,727.8 | \$ 24.13 | \$ 19.29 | \$ 2.59 | \$ 2.16 | \$ 2.38 | 11.7x | 10.6x | 1.0x | 1.3x | 4.1% | 1.1% | 10.1% |
| Malvern Bancorp, Inc. | MLVF | \$ 15.15 | 7.6 | \$ 115.8 | \$ 996.3 | \$ 19.47 | \$ 19.47 | \$ 0.92 | \$ 0.86 | \$ - | 17.7x | nm | 0.8x | 0.8x | 3.0% | 0.7% | 4.7% |
| SB Financial Group, Inc. | SBFG | \$ 12.52 | 6.9 | \$ 86.6 | \$ 1,341.3 | \$ 17.21 | \$ 13.87 | \$ 1.77 | \$ 1.28 | \$ 1.52 | 9.8x | 8.2x | 0.7x | 0.9x | 3.2% | 0.9% | 9.6% |
| Salisbury Bancorp, Inc. | SAL | \$ 24.35 | 5.7 | \$ 139.1 | \$ 1,565.3 | \$ 23.17 | \$ 20.72 | \$ 2.74 | \$ 2.08 | \$ 3.20 | 11.7x | 7.6x | 1.1x | 1.2x | 3.2% | 1.0% | 11.7% |
| Average | | | | | | | | \$ 3.07 | \$ 2.46 | \$ 3.10 | 10.5x | 8.2x | 1.0x | 1.1x | 3.4% | 1.0% | 12.8% |
| Median | | | | | | | | \$ 2.77 | \$ 2.17 | \$ 1.95 | 9.8x | 7.8x | 1.0x | 1.1x | 3.3% | 1.0% | 13.0% |
| Pathfinder Bancorp, Inc. | PBHC | \$ 13.47 | 6.0 | \$ 81.1 | \$ 1,404.3 | \$ 18.52 | \$ 17.75 | \$ 1.64 | \$ 1.57 | \$ 2.26 | 8.6x | 6.0x | 0.7x | 0.8x | 3.2% | 0.8% | 9.2% |

(1) Previous day's closing price

(2) Estimates are from CapitalIQ except for PBHC which are Stonegate estimates

(3) Credit and Profitability metrics are LTM figures except for NIM which is MRQ

Source: Capital IQ, Stonegate Capital Partners

As can be seen above, Pathfinder is trading at a P/TBV of 0.8x vs. average comps at 1.1x. We also note that over the prior 3-year period, Pathfinder Bank has traded at an average P/TB of 0.9x, vs. comps at an average P/TBV of 1.1x. While the Company has traded at an ~28% discount to the comps over the prior 3-year period, given the Company's successful execution of driving its total assets and the recent strategic shift to focus on improving its earnings, we believe the discount is too wide.

| TBV/S Valuation | P/TBV | | |
|--------------------|----------|----------|----------|
| | 1.00x | 1.10x | 1.20x |
| | \$ 17.75 | \$ 17.75 | \$ 17.75 |
| Valuation | \$ 17.75 | \$ 19.53 | \$ 21.30 |

As such we are using a P/TBV value range of 1.0x to 1.2x, with a mid-point of 1.1x. At the midpoint, this represents a market multiple, which we believe is reasonable given management's strategic initiatives coupled with its current credit and profitability ratios vs. comps. Using the above assumptions, we arrive at a valuation range of \$17.75 to \$21.30, with a mid-point of \$19.53.

| EPS Valuation | P/E | | |
|------------------|----------|----------|----------|
| | 7.5x | 8.5x | 9.5x |
| | \$ 2.26 | \$ 2.26 | \$ 2.26 |
| Valuation | \$ 16.95 | \$ 19.21 | \$ 21.47 |

When we look at Pathfinder through a Forward P/E Multiple lens, we note that PBHC is trading at 5.9x vs average comps at 8.2x. We think that given the above-mentioned strengths that PBHC has, it should be trading more in line with comps. Applying a multiple range of 7.5x to 9.5x with a midpoint of 8.5x arrives at a valuation range of \$16.95 to \$21.47, with a midpoint of \$19.21.

BALANCE SHEET

| Pathfinder Bankcorp | | | | | | | | | | | | | | |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--|
| Consolidated Balance Sheets (\$Ms) | | | | | | | | | | | | | | |
| Fiscal Year: December | | | | | | | | | | | | | | |
| | | | Q1 | Q2 | Q3 | Q4 | | Q1 | Q2 | Q3 | Q4 | | Q1 | |
| ASSETS | FY2019 | FY2020 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | FY2021 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | FY2022 | Mar-23 | |
| Assets | | | | | | | | | | | | | | |
| Cash and Due from Banks | 8.3 | 14.9 | 10.9 | 13.0 | 27.2 | 13.9 | 13.9 | 13.7 | 14.8 | 15.6 | 13.9 | 13.9 | 15.2 | |
| Interest-earning Deposits | 11.9 | 28.6 | 41.0 | 28.1 | 48.0 | 23.3 | 23.3 | 23.5 | 23.5 | 28.9 | 21.3 | 21.3 | 17.1 | |
| Total Cash And Cash Equivalents | 20.2 | 43.5 | 52.0 | 41.2 | 75.2 | 37.1 | 37.1 | 37.2 | 38.3 | 44.5 | 35.3 | 35.3 | 32.3 | |
| Available-for-sale Securities-at Fair Value | 111.1 | 128.3 | 159.1 | 157.6 | 175.5 | 190.6 | 190.6 | 198.1 | 203.2 | 191.5 | 191.7 | 191.7 | 187.0 | |
| Held-to-maturity Securities, At Amortized Cost | 123.0 | 171.2 | 165.6 | 62.4 | 161.7 | 160.9 | 160.9 | 168.0 | 181.5 | 195.9 | 194.4 | 194.4 | 201.2 | |
| Marketable Equity Securities, At Fair Value | 0.5 | 1.9 | 2.1 | 2.1 | 0.7 | 0.7 | 0.7 | 1.2 | 0.7 | 1.2 | 1.9 | 1.9 | 2.1 | |
| Federal Home Loan Bank Stock, At Cost | 4.8 | 4.4 | 4.6 | 4.5 | 3.7 | 4.2 | 4.2 | 3.5 | 4.2 | 3.7 | 6.0 | 6.0 | 5.2 | |
| Loans | 745.5 | 824.0 | 864.9 | 834.2 | 787.9 | 831.9 | 831.9 | 854.9 | 866.3 | 885.9 | 897.7 | 897.7 | 910.2 | |
| Loans Held for Sale | 35.9 | 1.5 | 0.4 | 0.7 | 0.3 | 0.5 | 0.5 | 0.7 | - | 0.3 | 0.0 | 0.0 | - | |
| Less: Allowance for Loan Losses | 8.7 | 12.8 | 13.7 | 14.6 | 14.1 | 12.9 | 12.9 | 13.0 | 13.1 | 13.6 | 15.3 | 15.3 | 17.9 | |
| Loans Receivable, net | 772.8 | 812.7 | 851.6 | 820.3 | 774.1 | 819.5 | 819.5 | 842.6 | 853.2 | 872.6 | 882.4 | 882.4 | 892.3 | |
| Premises & Equipment-net | 22.7 | 22.3 | 22.2 | 22.2 | 21.9 | 21.7 | 21.7 | 21.9 | 22.0 | 22.0 | 17.9 | 17.9 | 17.7 | |
| Operating Lease Right-of-use Assets | 2.4 | 2.2 | 2.2 | 2.2 | 2.2 | 2.1 | 2.1 | 2.1 | 2.1 | 2.0 | 2.1 | 2.1 | 2.1 | |
| Accrued Interest Receivable | 3.7 | 4.5 | 4.7 | 4.5 | 4.6 | 4.5 | 4.5 | 4.7 | 4.8 | 5.2 | 6.2 | 6.2 | 5.6 | |
| Foreclosed Real Estate | 0.1 | - | - | - | - | - | - | - | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | |
| Intangible Assets, Net | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | |
| Goodwill | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | |
| Bank Owned Life Insurance | 17.4 | 17.9 | 23.0 | 23.1 | 23.3 | 23.4 | 23.4 | 23.6 | 23.7 | 23.9 | 24.0 | 24.0 | 24.2 | |
| Other Assets | 10.4 | 14.0 | 15.4 | 14.9 | 14.6 | 15.7 | 15.7 | 20.8 | 24.6 | 29.7 | 33.2 | 33.2 | 29.7 | |
| Total Assets | 1,093.8 | 1,227.4 | 1,307.2 | 1,259.7 | 1,262.2 | 1,285.2 | 1,285.2 | 1,328.4 | 1,363.1 | 1,396.9 | 1,399.9 | 1,399.9 | 1,404.3 | |
| Liabilities & Shareholders' Equity | | | | | | | | | | | | | | |
| Interest Bearing | 774.4 | 833.9 | 871.4 | 848.0 | 840.0 | 863.5 | 863.5 | 909.3 | 945.0 | 993.4 | 941.7 | 941.7 | 962.6 | |
| Demand Deposits-non-Interest-Bearing | 107.5 | 162.1 | 197.5 | 183.7 | 206.2 | 191.9 | 191.9 | 204.7 | 192.8 | 187.2 | 183.7 | 183.7 | 181.6 | |
| Total Deposits | 881.9 | 995.9 | 1,068.9 | 1,031.7 | 1,046.2 | 1,055.3 | 1,055.3 | 1,114.1 | 1,137.8 | 1,180.6 | 1,125.4 | 1,125.4 | 1,144.3 | |
| Short-term Borrowings | 25.1 | 4.0 | 4.0 | 2.0 | - | 12.5 | 12.5 | 2.5 | 15.7 | 11.5 | 60.3 | 60.3 | 43.5 | |
| Long-term Borrowings | 68.0 | 78.0 | 82.5 | 81.7 | 67.1 | 64.6 | 64.6 | 60.0 | 60.0 | 54.1 | 55.7 | 55.7 | 55.7 | |
| Subordinated Loan | 15.1 | 39.4 | 39.4 | 29.5 | 29.5 | 29.6 | 29.6 | 29.6 | 29.6 | 29.7 | 29.7 | 29.7 | 29.8 | |
| Accrued Interest Payable | 0.4 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.5 | 1.0 | 1.0 | 1.5 | |
| Operating Lease Liabilities | 2.7 | 2.5 | 2.5 | 2.5 | 2.5 | 2.4 | 2.4 | 2.4 | 2.4 | 2.3 | 2.4 | 2.4 | 2.4 | |
| Other Liabilities | 9.9 | 9.6 | 9.4 | 8.7 | 10.1 | 10.0 | 10.0 | 10.2 | 9.2 | 10.4 | 13.8 | 13.8 | 14.8 | |
| Total Liabilities | 1,003.1 | 1,129.7 | 1,206.9 | 1,156.2 | 1,155.5 | 1,174.5 | 1,174.5 | 1,219.0 | 1,255.0 | 1,289.2 | 1,288.3 | 1,288.3 | 1,291.9 | |
| Shareholders' Equity | | | | | | | | | | | | | | |
| Preferred Stock Convertible | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Common Stock - Par Value | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Additional Paid in Capital | 49.4 | 50.0 | 50.3 | 50.5 | 50.7 | 51.0 | 51.0 | 51.2 | 51.4 | 51.6 | 52.1 | 52.1 | 52.2 | |
| Retained Earnings | 44.8 | 50.3 | 52.0 | 54.5 | 57.5 | 60.9 | 60.9 | 63.4 | 66.1 | 68.6 | 71.3 | 71.3 | 71.2 | |
| Accumulated Other Comprehensive Income (Loss) | (3.0) | (2.2) | (1.8) | (1.2) | (1.4) | (1.3) | (1.3) | (5.1) | (9.4) | (12.6) | (12.2) | (12.2) | (11.5) | |
| Unearned ESOP Shares | (0.9) | (0.7) | (0.6) | (0.6) | (0.5) | (0.5) | (0.5) | (0.5) | (0.4) | (0.4) | (0.3) | (0.3) | (0.3) | |
| Total Shareholders' Equity | 90.4 | 97.5 | 99.9 | 103.2 | 106.3 | 110.3 | 110.3 | 109.1 | 107.7 | 107.3 | 111.0 | 111.0 | 111.7 | |
| Minority Interest | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.4 | 0.4 | 0.5 | 0.6 | 0.6 | 0.7 | |
| Total Equity | 90.7 | 97.7 | 100.2 | 103.5 | 106.6 | 110.6 | 110.6 | 109.4 | 108.1 | 107.8 | 111.6 | 111.6 | 112.4 | |
| Total Liabilities & Shareholders' Equity | 1,093.8 | 1,227.4 | 1,307.2 | 1,259.7 | 1,262.2 | 1,285.2 | 1,285.2 | 1,328.4 | 1,363.1 | 1,396.9 | 1,399.9 | 1,399.9 | 1,404.3 | |
| Book Value Per Share | 15.94 | 17.56 | 18.07 | 17.37 | 17.85 | 18.43 | 18.43 | 18.23 | 17.96 | 17.88 | 18.40 | 18.40 | 18.52 | |
| Tangible Book Value Per Share | 14.95 | 16.53 | 17.04 | 16.59 | 17.08 | 17.66 | 17.66 | 17.45 | 17.18 | 17.11 | 17.63 | 17.63 | 17.75 | |
| Return on Average Assets (%) | 0.43 | 0.60 | 0.68 | 0.95 | 1.07 | 1.24 | 0.98 | 0.90 | 0.99 | 0.93 | 1.02 | 0.96 | 0.75 | |
| Return on Average Equity (%) | 5.34 | 7.43 | 10.50 | 14.17 | 12.71 | 14.38 | 11.91 | 10.63 | 12.08 | 11.49 | 12.89 | 11.77 | 9.20 | |

Source: Company Reports, Stonegate Capital Partners

INCOME STATEMENT

Pathfinder Bankcorp

Consolidated Statements of Income (in \$Ms, except per share amounts)

Fiscal Year: December

| | FY 2020 | FY 2021 | Q1 Mar-22 | Q2 Jun-22 | Q3 Sep-22 | Q4 Dec-22 | FY 2022 | Q1 Mar-23 | Q2E Jun-23 | Q3E Sep-23 | Q4 E Dec-23 | FY 2023E | Q1E Mar-24 | Q2E Jun-24 | Q3E Sep-24 | Q4 E Dec-24 | FY 2024E |
|--|---------|---------|--------------|--------------|--------------|--------------|---------|--------------|---------------|---------------|----------------|----------|---------------|---------------|---------------|----------------|----------|
| Interest and dividend income | 42.5 | 45.8 | 11.0 | 11.7 | 13.4 | 15.0 | 51.1 | 15.0 | 13.5 | 13.8 | 14.0 | 56.3 | 15.0 | 15.3 | 15.6 | 16.0 | 62.0 |
| Interest expense | 10.9 | 7.5 | 1.5 | 1.7 | 2.6 | 3.8 | 9.7 | 5.1 | 2.6 | 2.7 | 2.7 | 13.1 | 3.8 | 3.9 | 4.0 | 4.1 | 15.8 |
| Net interest income | 31.6 | 38.3 | 9.5 | 10.0 | 10.8 | 11.2 | 41.4 | 10.0 | 10.9 | 11.1 | 11.3 | 43.2 | 11.2 | 11.4 | 11.7 | 11.9 | 46.2 |
| Provision for loan losses | 4.7 | 1.0 | 0.1 | 0.1 | 0.7 | 1.9 | 2.8 | 0.7 | 1.0 | 0.4 | 0.4 | 2.5 | 0.4 | 0.4 | 0.4 | 0.4 | 1.6 |
| Net interest income after provision for loan losses | 26.9 | 37.3 | 9.4 | 9.9 | 10.1 | 9.3 | 38.6 | 9.3 | 9.9 | 10.7 | 10.9 | 40.8 | 10.8 | 11.0 | 11.2 | 11.5 | 44.6 |
| Noninterest inc, excluding net gains on sales of securities, fixed assets, loans, & foreclosed real-estate | 4.9 | 5.3 | 1.5 | 1.3 | 1.3 | 1.9 | 6.0 | 1.5 | 1.9 | 1.9 | 1.9 | 7.2 | 2.0 | 2.0 | 2.0 | 2.0 | 7.9 |
| Net gains on sales of securities, loans & foreclosed real-estate | 1.2 | 0.5 | 0.1 | 0.0 | 0.0 | - | 0.1 | 0.0 | - | - | - | 0.0 | - | - | - | - | - |
| Gain (losses) on marketable equity securities | 0.4 | 0.4 | 0.1 | 0.0 | (0.2) | (0.1) | (0.2) | 0.1 | - | - | - | 0.1 | - | - | - | - | - |
| Total noninterest expense | 25.1 | 27.5 | 7.3 | 7.1 | 7.3 | 7.2 | 28.9 | 7.5 | 7.5 | 7.5 | 7.5 | 30.1 | 7.5 | 7.5 | 7.5 | 7.5 | 30.1 |
| Earnings before taxes | 8.3 | 16.0 | 3.7 | 4.1 | 4.0 | 3.9 | 15.7 | 3.3 | 4.2 | 5.1 | 5.3 | 17.9 | 5.3 | 5.5 | 5.7 | 5.9 | 22.4 |
| Provision for income tax | 1.3 | 3.5 | 0.7 | 0.8 | 0.8 | 0.4 | 2.7 | 0.7 | 0.8 | 1.0 | 1.1 | 3.6 | 1.1 | 1.1 | 1.1 | 1.2 | 4.5 |
| Net income attributable to noncontrolling interest & Pathfinder Bancorp | 7.0 | 12.5 | 3.0 | 3.3 | 3.2 | 3.6 | 13.0 | 2.7 | 3.4 | 4.1 | 4.2 | 14.3 | 4.2 | 4.4 | 4.6 | 4.7 | 17.9 |
| Net income (loss) attributable to noncontrolling interest | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 |
| Net income (loss) attributable to pathfinder bancorp | 6.9 | 12.4 | 3.0 | 3.3 | 3.2 | 3.5 | 12.9 | 2.6 | 3.4 | 4.0 | 4.2 | 14.2 | 4.2 | 4.4 | 4.5 | 4.7 | 17.8 |
| Basic EPS | \$ 1.17 | \$ 2.07 | \$ 0.49 | \$ 0.41 | \$ 0.53 | \$ 0.59 | \$ 1.91 | \$ 0.43 | \$ 0.56 | \$ 0.67 | \$ 0.70 | \$ 2.26 | \$ 0.70 | \$ 0.73 | \$ 0.76 | \$ 0.78 | \$ 2.97 |
| Diluted EPS | \$ 1.17 | \$ 2.07 | \$ 0.49 | \$ 0.41 | \$ 0.53 | \$ 0.59 | \$ 1.91 | \$ 0.43 | \$ 0.56 | \$ 0.67 | \$ 0.70 | \$ 2.26 | \$ 0.49 | \$ 0.73 | \$ 0.76 | \$ 0.78 | \$ 2.97 |
| Wtd avg shares - basic | 4.6 | 5.2 | 5.9 | 5.9 | 5.9 | 6.0 | 5.9 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| Wtd avg shares - diluted | 4.6 | 5.2 | 5.9 | 5.9 | 5.9 | 6.0 | 5.9 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| Dividend per share | \$ 0.24 | \$ 0.28 | \$ 0.07 | \$ 0.07 | \$ 0.09 | \$ 0.09 | \$ 0.32 | \$ 0.09 | \$ 0.09 | \$ 0.09 | \$ 0.09 | \$ 0.36 | \$ 0.10 | \$ 0.10 | \$ 0.10 | \$ 0.10 | \$ 0.40 |

Margin Analysis

| | | | | | | | | | | | | | | | | | |
|---------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Net income margin | 16.4% | 27.1% | 26.9% | 28.0% | 23.8% | 23.5% | 25.3% | 17.3% | 24.9% | 29.3% | 29.9% | 25.2% | 28.0% | 28.5% | 28.9% | 29.4% | 28.7% |
| Net Interest margin | 2.7% | 3.2% | 3.1% | 3.1% | 3.3% | 3.4% | 3.2% | 3.0% | 3.2% | 3.2% | 3.2% | 3.1% | 3.1% | 3.1% | 3.1% | 3.1% | 3.0% |
| Interest Income % | 3.7% | 3.8% | 0.9% | 0.9% | 1.0% | 1.2% | 3.9% | 1.1% | 1.0% | 1.0% | 1.0% | 4.1% | 1.1% | 1.1% | 1.1% | 1.1% | 4.1% |
| Interest Expense % | 1.0% | 0.6% | 0.1% | 0.1% | 0.2% | 0.3% | 0.8% | 0.4% | 0.2% | 0.2% | 0.2% | 1.0% | 0.3% | 0.3% | 0.3% | 0.3% | 1.0% |
| Net Provision Ratio | 1.5% | 1.6% | 1.5% | 1.5% | 1.5% | 1.7% | 1.7% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| Tax % | 15.5% | 21.9% | 19.4% | 19.2% | 19.5% | 9.7% | 16.9% | 20.0% | 20.0% | 20.0% | 20.0% | 20.0% | 20.0% | 20.0% | 20.0% | 20.0% | 20.0% |

Growth Rate Y/Y

| | | | | | | | | | | | | | | | | | |
|---|--------|--------|--------|-------|--------|--------|-------|--------|-------|-------|--------|-------|--------|-------|-------|-------|-------|
| Interest and Dividend Income | 1.8% | 7.8% | 0.4% | -3.0% | 15.1% | 34.3% | 11.5% | 37.0% | 15.3% | 2.8% | -6.6% | 10.3% | -0.1% | 13.7% | 13.7% | 13.7% | 10.0% |
| Interest expense | -19.7% | -30.7% | -36.4% | -6.6% | 41.4% | 163.9% | 28.7% | 235.0% | 51.0% | 2.8% | -28.7% | 35.2% | -25.2% | 49.0% | 49.0% | 49.0% | 20.3% |
| Net Income Interest after provision for loan losses | 2.6% | 38.4% | 24.3% | 6.8% | 4.0% | -13.7% | 3.7% | -1.0% | -0.6% | 6.4% | 17.4% | 5.5% | 16.9% | 12.0% | 5.0% | 5.0% | 9.4% |
| Earnings Before Taxes | 53.0% | 91.9% | 35.6% | 5.0% | -10.1% | -20.9% | -2.0% | -10.0% | 4.0% | 28.1% | 33.9% | 14.3% | 58.3% | 29.9% | 12.1% | 11.8% | 24.8% |
| Net Income | 64.4% | 77.5% | 36.6% | 8.7% | -6.3% | -8.5% | 4.2% | -10.7% | 2.9% | 27.3% | 18.7% | 10.1% | 58.3% | 29.9% | 12.1% | 11.8% | 24.8% |
| Non Interest Income | 9.4% | 9.0% | 14.6% | -1.4% | -5.3% | 43.6% | 12.8% | 1.1% | 48.2% | 44.2% | -0.8% | 20.0% | 32.0% | 4.2% | 4.2% | 4.2% | 10.0% |
| Non Interest Expense | -2.5% | 9.6% | 9.3% | 4.4% | 6.5% | 0.3% | 5.0% | 3.8% | 5.3% | 3.5% | 4.4% | 4.2% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

Source: Company Reports, Stonegate Capital Partners estimates

IMPORTANT DISCLOSURES AND DISCLAIMERS

The following disclosures are related to Stonegate Capital Partners (SCP) research reports.

The information used for the creation of this report has been obtained from sources we considered to be reliable, but we can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice and SCP does not undertake to advise you of any such changes. In preparing this research report, SCP analysts obtain information from a variety of sources, including to but not limited to, the issuing Company, a variety of outside sources, public filings, the principals of SCP and outside consultants. SCP and its analyst may engage outside contractors with the preparation of this report. The information contained in this report by the SCP analyst is believed to be factual, but we can neither guarantee nor represent the completeness or accuracy of the information herewith. While SCP endeavors to update the information contained herein on a reasonable basis, there may be regulatory, compliance, or other reasons that prevent us from doing so. The opinions or information expressed are believed to be accurate as of the date of this report; no subsequent publication or distribution of this report shall mean or imply that any such opinions or information remains current at any time after the date of this report. Reproduction or redistribution of this report without the expressed written consent of SCP is prohibited. Additional information on any securities mentioned is available on request. SCP does not rate the securities covered in its research. SCP does not have, nor has previously had, a rating for any securities of the Company. SCP does not have a price target for any securities of the Company.

Recipients of this report who are not market professionals or institutional investors should seek the advice of their independent financial advisor prior to making any investment decision based on this report or for any necessary explanation of its contents. Because the objectives of individual clients may vary, this report is not to be construed as an offer or the solicitation of an offer to sell or buy the securities herein mentioned. This report is the independent work of SCP and is not to be construed as having been issued by, or in any way endorsed or guaranteed by, any issuing companies of the securities mentioned herein.

SCP does not provide, nor has it received compensation for investment banking services on the securities covered in this report. SCP does not expect to receive compensation for investment banking services on the securities covered in this report. SCP has a non-exclusive Advisory Services agreement to provide research coverage, retail and institutional awareness, and overall Investor Relations support and for which it is compensated \$2,500 per month. SCP's equity affiliate, Stonegate Capital Markets (SCM) - member FINRA/SIPC - may seek to provide investment banking services on the securities covered in this report for which it could be compensated.

SCP Analysts are restricted from holding or trading securities in the issuers which they cover. Research Analyst and/or a member of the Analyst's household do not own shares of this security. Research Analyst, employees of SCP, and/or a member of the Analyst's household do not serve as an officer, director, or advisory board member of the Company. SCP and SCM do not make a market in any security, nor do they act as dealers in securities.

SCP Analysts are paid in part based on the overall profitability of SCP and SCM. Such profitability is derived from a variety of sources and includes payments received from issuers of securities covered by SCP for services described above. No part of Analyst compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in any report or article. This security is eligible for sale in one or more states. This security may be subject to the Securities and Exchange Commission's Penny Stock Rules, which may set forth sales practice requirements for certain low-priced securities.

CONTACT INFORMATION

Investor Relations

Stonegate Capital Partners
8201 Preston Rd.-Suite 325
Dallas, Texas 75225
Phone: 214-987-4121
www.stonegateinc.com