

Pathfinder Bancorp, Inc.
Pathfinder Bank
Audit Committee of the
Board of Directors' Charter

I. Purpose

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing: the financial reports and other financial information provided by Pathfinder Bancorp, Inc. ("the Company") to any governmental body or the public; the Company's systems of internal controls regarding finance, accounting, and compliance that management and the Board have established; and the Company's auditing, accounting and financial reporting processes generally. Consistent with this function, the Audit Committee should encourage continuous improvement of, and should foster adherence to, the Company's policies, procedures and practices at all levels. The Audit Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the integrity of the Company's financial reporting process and its associated and internal control and risk management systems.
- Review and appraise the audit efforts of the Company's independent accountant and internal auditing department. In doing so, monitor the independence of the public accounting firm including any fees paid for non-audit services.
- Provide an open avenue of communication among the independent accountants, financial and senior management, the internal auditing department, and the Board of Directors.
- Monitor compliance by the Company with legal and regulatory requirements.

The Audit Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Section IV of this Charter.

Authority

In discharging its responsibilities, the audit committee will have unrestricted access to members of management, employees, and relevant information it considers necessary to discharge its duties. The committee also will have unrestricted access to records, data, and reports.

II. Composition

The Audit Committee shall be comprised of four or more directors as determined by the Board, each of whom shall be "independent" directors as that term is defined by NASDAQ Rules 4200 and 4350, and free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgement as a member of the Committee.

All members of the Committee shall be literate with respect to basic finance and accounting practices, and at least one member of the Committee shall have accounting or related financial management expertise. Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Company, an outside consultant, trade group, or other provider.

The members of the Committee shall be elected by the Board annually or until their successors shall be duly elected and qualified. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

III. Meetings

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee should meet at least annually with the internal auditor and the independent accountants in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately.

IV. Responsibilities and Duties

To fulfill its responsibilities and duties the Audit Committee shall:

Documents/Reports Review

1. Review and reassess annually the adequacy of this Charter.
2. Review the organization's annual financial statements and any reports or other financial information submitted to any governmental body, or the public, including any certifications, reports, opinions, or reviews rendered by the independent accountants.
3. Review the regular internal reports to management prepared by the internal auditing department and management's response.
4. Review with financial management and the independent accountants the quarterly financial statements and the related interim financial reviews of the Company prior to its filing or prior to the release of earnings. The Chair of the Committee, or a member appointed by the Chair, or the full Board may represent the Committee for purposes of this review.

Independent Accountants

5. Select and engage the independent accountants, considering independence and effectiveness and approve the fees and other compensation to be paid to the independent accountants. On an annual basis, the Committee should review and discuss with accountants their written statement of all significant relationships the accountants have with the Company to determine the accountants' independence.
6. Review the performance of the independent accountants and approve any proposed discharge of the independent accountants when circumstances warrant.
7. Periodically consult with the independent accountants out of the presence of management about internal controls and the fullness and accuracy of the organization's financial statements.

Note: The Audit Committee is not responsible for planning or conducting audits or determining the completeness, accuracy, or conformity of the financial statements.

Financial Reporting Process

8. In consultation with the independent accountants and the internal auditors, review the integrity of the organization's financial reporting processes, both internal and external.
9. Consider the independent accountants' judgements about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.
10. Consider and approve, if appropriate, major changes to the Company's auditing and accounting principles and practices as suggested by the independent accountants, management, or the internal auditing department.

Process Improvements

11. Following completion of the annual audit, review separately with each of management, the independent accountants and the internal auditing department any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
12. Review any significant disagreement among management and the independent accountants or the internal auditing department in connection with the preparation of the financial statements or audits conducted.
13. Review with the independent accountants, the internal auditing department and management the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. (This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.)

Internal Audit and Compliance

14. The Audit Manager shall be directly accountable and shall report functionally to the Committee and administratively to the CEO. The Committee shall exercise final approval on the appointment, compensation, evaluation, oversight and replacement of the Audit Manager and/or any independent firm engaged by the Company to prepare and issue internal audits and reports. On a regular basis, the Committee shall solicit feedback from executive management, lines of business, departments, and other internal audit members on the overall effectiveness of the Audit Manager in their leadership of the internal audit function.
15. Review activities, organizational structure, and qualifications of the internal audit department. Annually, the Audit Manager, and/or any independent firm engaged for this purpose, shall prepare a comprehensive, internal audit plan for the Committee's review. The plan will be based on thorough risk assessments of the Company and its system of internal controls, encompassing both operational and financial issues, with concentration in areas of high risk and sensitivity.
16. Review the internal audit function of the corporation including the independence and authority of its reporting obligations, the proposed audit plans for the coming year, and the coordination of such plans with the independent auditors.

17. Receive prior to each meeting, a summary of findings from completed internal audits and a progress report on the proposed internal audit plan, with explanations for any deviations from the original plan.
18. Review, with the organization's counsel, any legal matter that could have a significant impact on the organization's financial statements.
19. Review reports concerning compliance with governmental laws and regulations with the Company's policies and procedures, ethics, conflicts of interest, perquisites, and use of corporate assets; and the Company's activities with respect to compliance with laws and regulations.
20. Respond to complaints relating to accounting, internal controls or auditing matters pursuant to the Company's Ethic's Policy and Employee Compliant Policy for Accounting and Auditing Matters.
21. Respond to complaints relating to employee complaints pursuant to the Employee Compliant Procedure within the Employee Manual.
22. Perform any other activities consistent with this Charter, the Company's By-laws, and governing law, as the Committee or the Board deems necessary or appropriate.

Projects and Investigations

23. The committee shall have the power and resources to conduct or authorize special projects or investigations that the committee considers necessary to discharge its duties and responsibilities. It shall have the power to retain independent outside counsel, accountants, or others to assist in the conduct of any investigation and may utilize the Company's general counsel, internal auditors, or compliance officer for such purposes.

Authority

24. In discharging its responsibilities, the Internal Audit and Compliance departments will have unrestricted access to members of management, employees, and relevant information it considers necessary to discharge its duties. Internal Audit and Compliance also will have unrestricted access to records, data, and reports.