



Catskill Hudson Bancorp, Inc.

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ANNUAL
REPORT

Moving Ahead



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Catskill Hudson Bancorp, Inc. 2020 **ANNUAL REPORT**

PAST • PRESENT • FUTURE

We will continue to be flexible to adapt to our ever changing world.

Catskill Hudson Bank, formerly known as Community Bank of Sullivan County, was established in 1993 in Monticello, NY. On July 31, 2006, the shareholders approved and completed its reorganization into a holding company form of ownership under Catskill Hudson Bancorp, Inc. (the Company). All of the outstanding stock of Community Bank of Sullivan County was acquired on August 1, 2006 by Catskill Hudson Bancorp, Inc. The stock is traded under the symbol CSKL. In December 2006, the name was changed to Catskill Hudson Bank (the Bank) to better reflect its goal of maximizing growth opportunities, by expanding its market beyond Sullivan County to Orange, Ulster, Saratoga and Albany Counties. The Bank represents the sole asset and provides the major portion of the results of operations of the Company.

Currently, the Bank is comprised of eleven branches: nine in the Mid-Hudson Region and

two in the Capital District. The new additions of our dedicated Residential Mortgage Center in Malta and the Commercial Loan Center in Latham have filled a demand for both expanding areas of the bank.

Through the challenges that the Covid pandemic has brought this year, the Bank continues to offer traditional, online and mobile banking services to both consumers and businesses. Our lobbies have remained closed since March 2020 protecting both our staff and community. The installation of Walk-Up windows, drive-thrus, individual appointments, social distancing and masks have all added to maintaining safety protocols while servicing our customers in the manner they have come to expect. One-third of our staff was able to work remotely from home in a secure environment. We are expanding those capabilities to be prepared for the future.

Currently, plans are under development to build a Financial Center on Route 9 in Malta. This will allow us to consolidate all of our non-branch personnel into one location for the Capital District. We project the completion to be in the summer of 2022.

While our IT Services Center continues to provide recognized cybersecurity to our customers, it also continues to grow. In September of 2021, the IT Center will relocate to the Luther Forest Technology Campus in Malta. This complex is a 1,400 green space centrally located in New York's Tech Valley. The campus provides world-class technology infrastructure for all types of innovative technology companies in a spacious, wooded atmosphere. We recognize that the future of banking rests on technology so we are making the investment now as we move forward.

We will continue to be flexible to adapt to our ever changing world.





EXECUTIVE ADDRESS

A message from Mario L. Martinez, Chairman & CEO and Kevin S. McLaren, President

2020 has been a remarkable and unprecedented year to say the least. COVID-19 impacted all economic activity and nearly every aspect of life throughout the nation, including upstate New York, our home. The impacts will be felt for years to come and we are hopeful that things improve so we can put the worst of this global crisis behind us. The rollout of vaccines to more of the general public will be a huge help in returning life as we know it to normal.

As we wrap up the financial year, we have been impacted not only by the pandemic, but also living through a near-zero interest environment. These rates not only affect our bank, but the banking industry as a whole. While everyone enjoys a low interest loan, the impact on lower savings rates are felt by all. Net interest margins for the bank were negatively impacted by the low interest rate environment, which many economists forecast to remain for the foreseeable future.

Our lobbies continue to remain closed, but drive-thru's and walk-up windows are open for our customers, as well as our ATM's, night drops and internet and mobile banking services. Many of our staff members continue working from home with bank-provided computers and laptops. We have proven that we can run the bank remotely in a safe and sound manner with no reduction in services. It is our mission to keep our employees and customers as safe as possible. Consistent with industry trends, we closed two branches and converted those spaces to much needed office space to accommodate growth in other areas such as Residential Lending.

Our bank remains financially strong, although earnings this year have been negatively impacted by the low interest rate environment. We experienced an increase in both Commercial and Residential loans over the past year, and our credit quality remains solid. Residential loans,

aided by the low interest rate environment and strong housing market, have grown to \$50 million and we forecast that they will double by the end of 2021. Our branches continue to provide excellent service and we have seen deposit growth in all geographic areas we serve.

Cybersecurity remains an issue in the world, and we are proud of the fact that we continue to have a proprietary network which is one of the safest in the country, keeping our customer and bank data safe. The pandemic effects could heighten the divide and hasten the evolution of certain industries and cause the demise of others. We believe that to compete in the technology-driven 21st century, we must consider a technology-focused approach.

The CARES Act implemented the Paycheck Protection Act ("PPP") to help businesses negatively impacted by the pandemic. Banks such as ours were the primary source of this funding, and we were fortunate that we were able to offer PPP loans in both the first and second rounds. This funding provided over \$15 million in much needed resources to aid in maintaining or hiring back employees and paying other necessary business expenses. This has been a lifeline for many businesses and we are proud that we were able to provide these loans within our market.

Naturally, many of our own loan customers were negatively impacted by the pandemic. We worked diligently with our Commercial and Residential Mortgage borrowers to provide payment deferments and accommodations, consistent with regulatory guidance and sound banking, to help them through the crises. In addition to other available sources of relief, these payment deferments were critical in keeping customers in their homes and businesses going. We were fortunate to be able to work with our borrowers and provide additional relief and support.

Assets at year-end were \$571.3 million as compared to \$503.2 million in the prior year. Net loans grew to \$361.6 million at year end as compared to \$326.9 million in 2019. Deposits at year end totaled \$529.5 million as compared to \$463.3 million in 2019. Retained earnings at year end were \$18,046 as compared to \$17,221 the prior year. We continue to be a well-capitalized bank while maintaining adequate reserves.

The company had Net Income of \$1,134,000 as compared to \$1,843,000 in 2019, while the bank had a Net Income of \$1,850,000 as compared to \$2,603,000 the prior year. Earnings per common shares were \$1.61 and \$2.62 in 2019.

Included in this report is our Statement of Financial Condition and Income Statement. Our full 2020 Consolidated Financial Statements are available on our updated website at www.chbny.com

Like much of the rest of the world, we have adapted and learned how to manage under stressful and difficult conditions this past year. We remain hopeful that conditions will improve in the days ahead, the most important thing being everyone's health!

MARIO L. MARTINEZ
Chairman & CEO

We have proven that we can run the bank remotely in a safe and sound manner with no reduction in services.



KEVIN S. MCLAREN
President, Director (Bank)

BOARD & SENIOR MANAGEMENT



MARIO L. MARTINEZ
Chairman of the Board
Chief Executive Officer



GARY C. SCHMIDT
Director



JAN S. VAN ETTEN
Director
Chairman Audit Committee



JONATHAN M. FARROW
Director



ROBERT S. GREEN
Director



DAWN M. MARTINEZ
Director
Marketing Manager



KEVIN S. McLAREN
President
Director (Bank)



THEODORE TOMITA, III
Executive Vice President
Chief Technology Officer
Chief Information Security Officer



DAVID D. McEVOY
Senior Vice President

SHAREHOLDER INFORMATION

Consolidated Financial Statements

The complete December 31, 2020 and 2019 Consolidated Financial Statements can be viewed on the Investor Relations page at www.chbny.com

Annual Meeting of Shareholders

The Company's annual meeting of shareholders will be held on Tuesday May 18, 2021. Due to the current corona virus pandemic, in lieu of an in-person meeting we are offering the following email address for questions and comments: shareholders@chbny.com

This email will be available from the time the voting proxy is received through May 18, 2021. Only holders of common stock as of April 16, 2021 will be eligible to vote.

Transfer Agent Information

Please contact the person listed below for further information if you wish to:

- Change your mailing address
- Report lost or stolen stock certificates
- Transfer stock
- Deposit dividend directly into a bank account

Yvonne Maxwell
Catskill Hudson Bancorp, Inc.
95 Schwenk Drive
Kingston, New York 12401
(845) 334-0050

WE WISH TO THANK
OUR CUSTOMERS,
EMPLOYEES AND
MANAGERS FOR THEIR
SUPPORT AND HARD
WORK IN 2020.

WE ALSO THANK
EACH STOCKHOLDER
FOR SUPPORTING
YOUR COMPANY AND
YOUR BANK.

LENDING DEPARTMENT

Meet our Residential and Commercial Teams Who Are Always Ready to Help

WWW.CHBNY.COM

Updating our Platforms to Enhance the Banking Experience

Residential



STEPHANIE ZOCCO
SVP Residential Manager



BRIAN GARIS
VP Sales Manager



RICK MURPHY
Senior Loan Officer



COLLEEN OSTERHOUT
Loan Officer



ANN EDSFORTH
Mortgage Specialist



MADELEINE CANASTRA
Mortgage Specialist



JIM CARTWRIGHT JR.
Mortgage Loan Servicer

Commercial



HENRI D. LANGEVIN
Senior Vice President
Regional Senior Loan Officer
Capital Region



FIL NIEVES
Vice President
Regional Senior Loan Officer
Mid-Hudson Region
Sullivan & Orange Counties



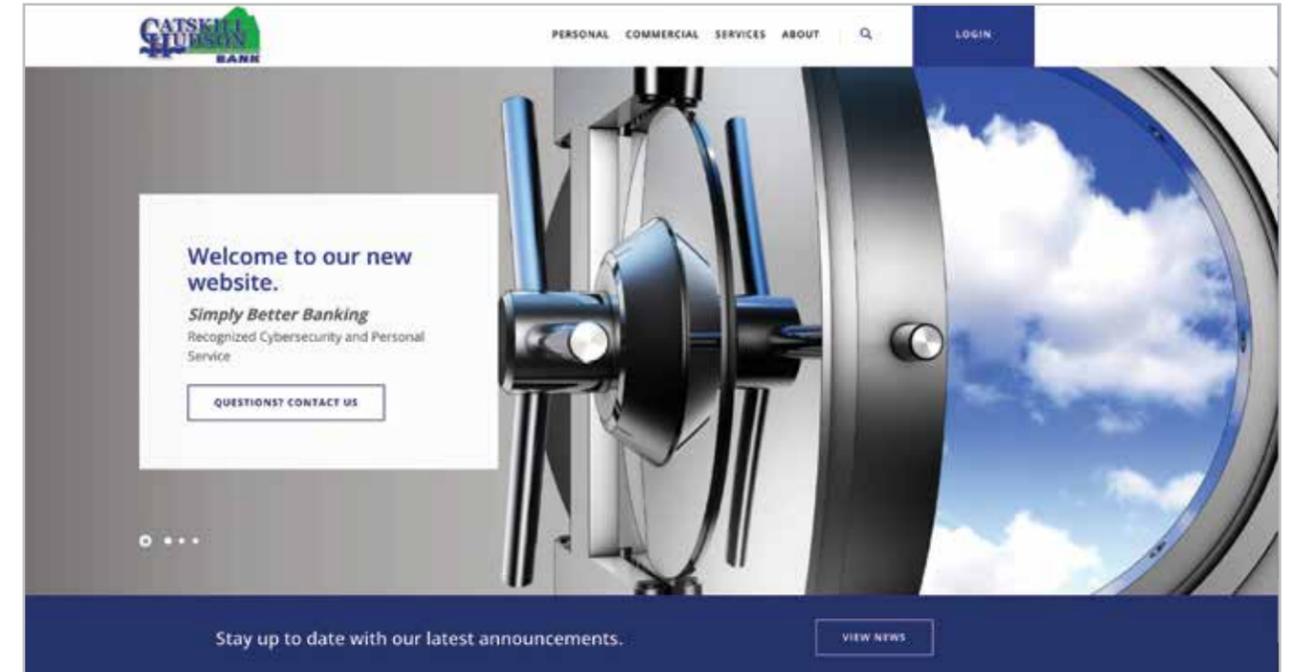
STEPHEN SICKLER
Vice President
Regional Loan Officer
Mid-Hudson Region
& Ulster County



MARKLAND SHAW
Senior Vice President
Credit Manager



MATT MCLAREN
Credit Analyst



In 2020 Catskill Hudson Bank began the process of upgrading our website, mobile app and online banking platforms. The goal was to create a website that not only contained valuable content with great visuals for our current customers but also be inviting to potential new customers. During this year in dealing with the global pandemic our motivation in upgrading our platforms was to provide our clients with a sense of ease while enhancing their banking experience.



At Catskill Hudson Bank, “Simply Better Banking” is not just a slogan but a philosophy. We recognize the importance of both cybersecurity and personal service. Whether your needs are commercial or residential, we pride ourselves on friendly, fast, efficient service. We are at the forefront in a world driven by technology but knowing our customers and their needs is our priority.

Top: Our new homepage at www.CHBNY.com

Bottom: Commercial Lending page

2020 FINANCIALS

Catskill Hudson Bancorp, Inc. CONSOLIDATED STATEMENTS OF NET INCOME (Unaudited - in thousands, except per share data)

Catskill Hudson Bancorp, Inc. CONSOLIDATED BALANCE SHEETS (Unaudited - in thousands)

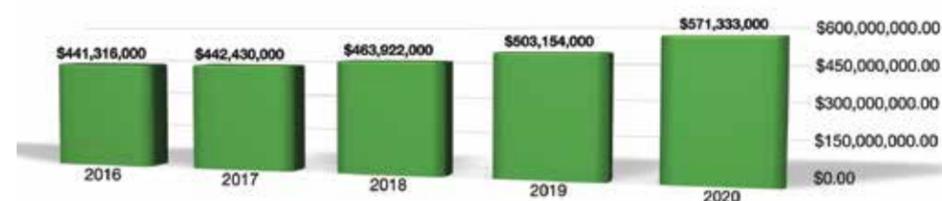
December 31	2020	2019
Assets		
Cash and Cash Equivalents	\$75,495	\$ 30,440
Certificates of Deposit	28	28
Securities Available for Sale, at Fair Value	111,062	124,938
Securities Held to Maturity, at Amortized Cost	6,338	5,872
Loans, Net of Allowance for Loan Losses	361,566	326,909
Restricted Investment in Bank Stocks	749	716
Premises and Equipment, Net	11,146	9,853
Bank-owned Life Insurance	1,906	1,877
Accrued Interest Receivable and Other Assets	3,043	2,521
Total Assets	\$ 571,333	\$ 503,154
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Interest Bearing	429,955	386,904
Noninterest Bearing	99,572	76,369
Total Deposits	\$ 529,527	\$ 463,273
Subordinated Debentures	10,867	10,844
Junior Subordinated Debentures	3,299	3,299
Accrued Expenses and Other Liabilities	808	734
Total Liabilities	\$ 544,501	\$ 478,150
Commitments and Contingencies		
Stockholders' Equity		
Common Stock	711	711
Treasury Stock (8,416 shares at December 31, 2020 and 2019)	(152)	(152)
Additional Paid-in Capital	7,348	7,348
Retained Earnings	18,046	17,221
Accumulated Other Comprehensive Income (Loss)	879	(124)
Total Stockholders' Equity	\$ 26,832	\$ 25,004
Total Liabilities and Stockholders' Equity	\$ 571,333	\$ 503,154

Years Ended December 31	2020	2019
Interest Income		
Loans	\$ 14,606	\$ 14,918
Securities:		
Taxable	886	2,160
Tax-exempt	504	552
Other	173	754
Total Interest and Dividend Income	\$ 16,169	\$ 18,384
Interest Expense		
Deposits	2907	3,610
Borrowings	880	939
Total Interest Expense	\$ 3,787	\$ 4,549
Net Interest Income	12,382	13,835
Provision for Loan Losses	675	- 0
Net Interest Income, after Provision for Loan Losses	\$ 11,707	\$ 13,835
Noninterest Income		
Service Fees	821	1,084
Net Realized Gains on Sales of Securities		
Available for Sale	427	35
Other	651	133
Total Noninterest Income	\$ 1,899	\$ 1,252
Noninterest Expenses		
Salaries and Employee Benefits	6,453	7,484
Occupancy	1,721	1,840
Depreciation and Amortization	635	592
Data Processing Fees	734	597
Stationery, Supplies and Printing	242	204
Professional Fees	360	324
FDIC Insurance	323	171
Other Operating Expense	1847	1,688
Total Operating Expenses	\$ 12,315	\$ 12,900
Income before Income Tax Expense	1,291	2,187
Income Tax Expense	157	344
Net Income	\$ 1,134	\$ 1,843
Earnings per Common Share		
Basic and Diluted	\$ 1.61	\$ 2.62

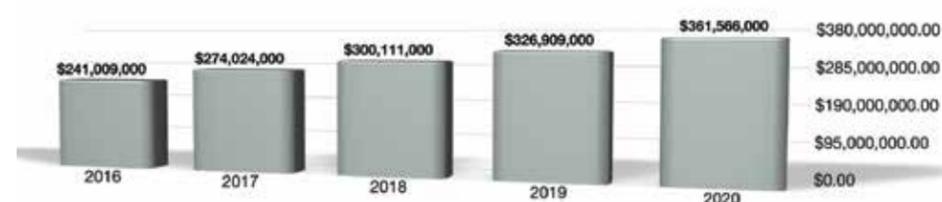
Catskill Hudson Bancorp, Inc.

SELECTED FINANCIAL HIGHLIGHTS

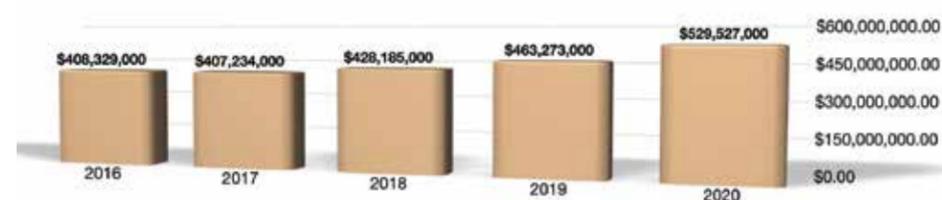
Total Assets



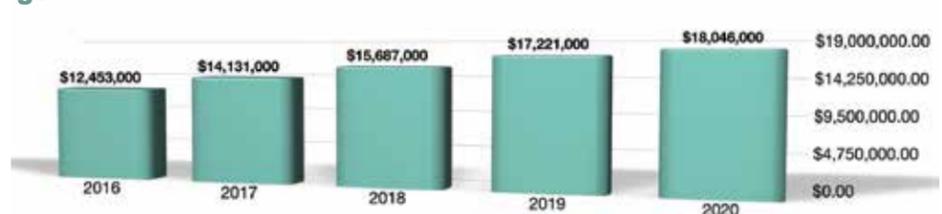
Total Loans



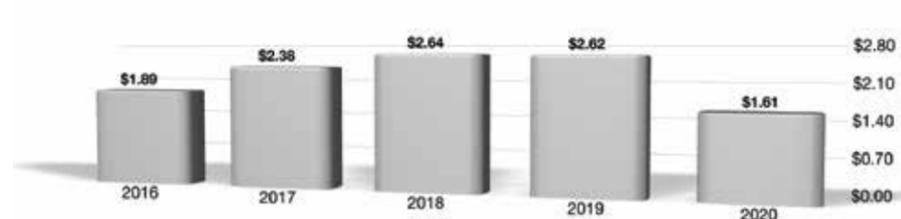
Total Deposits



Retained Earnings



Earnings Per Common Share



Branch & Office Locations



Mid-Hudson Region

Callicoon

9 Lower Main Street/CR 133
PO Box 423
Callicoon, NY 12723
845-334-0118

Ellenville

103 Canal Street
PO Box 627
Ellenville, NY 12428
845-334-0104

Grahamsville

279 Main Street
PO Box 225
Grahamsville, NY 12740
845-985-3055

Kingston

101 Kings Mall Court
Kingston, NY 12401
845-334-0124

Liberty

Colonial Square Mall
1987 State Route 52 East
PO Box 26
Liberty, NY 12754
845-334-0136

Middletown

643 Route 211 East - Suite 1
PO Box 4832
Middletown, NY 10941
845-334-0142

Monticello

4445 State Route 42 North
PO Box 1258
Monticello, NY 12701
845-334-0109

Narrowsburg

Pete's Market
122 Kirks Road
Narrowsburg, NY 12764
845-334-0115

Rock Hill

244 Rock Hill Drive
PO Box 855
Rock Hill, NY 12775
845-334-0130

Corporate Headquarters

95 Schwenk Drive
Kingston, NY 12401
845-334-0050

Operations Center

643 Route 211 East
Middletown, NY 10941
845-334-0070

Capital Region

Green Island

148 George Street
Green Island, NY 12183
518-400-1280

Halfmoon

1685 State Route 9
Halfmoon, NY 12065
518-373-7080

Latham

Commercial Loan Center
851 New Loudon Road
Latham, NY 12110
877-CHBNY15

Malta

Residential Mortgage Center
Bluth Building
2452 Route 9 - Suite 104
Malta, NY 12020
877-CHBNY15

IT Services

100 Saratoga Village Blvd
Unit 8
Malta, NY 12020



Catskill Hudson Bancorp, Inc.

95 Schwenk Drive, Kingston, New York 12401

877-CHBNY15 ● www.CHBNY.com

