

Catskill Hudson Bancorp, Inc.

*Reinvesting in our
Sullivan County Roots*



CATSKILL
HUDSON
BANK

2019 ANNUAL REPORT

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Past - Present - Future

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 thirteen branches: nine in the Mid-Hudson Region and four in the Capital District. The opening of our new State-of-the-Art Monticello branch in March 2020 marks a milestone of us reinvesting in our Sullivan County roots.



Catskill Hudson Bank *Lending Made Simpler*

The Bank continues to offer traditional, online and mobile banking services to both consumers and businesses. The introduction in 2018 of our Residential lending program known as “Simple Mortgage” has surpassed our expectations. We continuously seek investment opportunities in the communities we serve and are recognized as a reliable source for lending. We maintain our commitment as an investor in the Community Loan Fund of the Capital Region, Inc. The Community Loan Fund makes low cost flexible loans and provides training and technical assistance services to help build a healthier local economy.

Future plans include the relocation of our Malta branch to a free standing facility located on Route 9. In addition, Catskill Hudson Bank has plans to build a financial center in the same location.

While our IT Services Center located in Malta continues to provide recognized cybersecurity to our customers we pursue our goal to provide personal service in a fast, friendly, efficient manner. We are at the forefront in a world driven by technology but take pride in getting to know our customers through integrity, safety and knowledge.



Milestones



Executive Address

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



Mario L. Martinez
Chairman & CEO

*A*t this writing the world is suffering through an unprecedented health crisis caused by the coronavirus pandemic known as COVID-19. We can only pray that by our May shareholder's meeting, that things improve and we can put the worst of this global crisis behind us. Reporting our 2019 earnings now seems insignificant compared to the current suffering all over the world. Up until the time we recognized the impact of the coronavirus effect, we were making plans to celebrate the opening of our new branch in Monticello. We did manage to finish the project and move from our old location across the street. However, once the pandemic appeared, celebrations were cancelled along with most non-essential events at the bank.

We do not know or are even able to speculate as to the short and long-term effects of this crisis. Besides the tragic human toll, businesses and the general economy will also be impacted. At the bank, we are considered an "essential" business, and therefore we remain open for business, although under stressful conditions. Our lobbies are closed, but our drive-thrus are open for our customers, as well as our ATMs, night drops and internet and mobile banking services. Many of our staff members are 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 little reduction in services. It is our mission to keep our employees and customers as safe as possible and continue to provide the products and services you have come to expect.

Our bank remains financially strong. Both commercial and residential loans have grown over the past year, and our credit quality remains solid. Our branches strive to continue to provide excellent service and we have seen deposit growth in all the markets we serve. Cybersecurity

Reinvesting



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.

Assets at year-end were \$503,000,000 compared to \$464,000,000 in the prior year. Net loans grew to \$327,000,000 at year end compared to \$300,000,000 in 2018. At this writing, our loan portfolio is at \$337,000,000. Deposits at year end totaled \$463,000,000 compared to \$428,000,000 in 2018. Retained earnings at year end were \$17,221,000 compared to \$15,687,000 the year before. We continue to be a well-capitalized bank while maintaining adequate reserves.

The company had Net income of \$1,843,000. Ironically, it was the same \$1,843,000 in 2018. The bank had a net income of \$2,603,000 as compared to \$2,598,000 the year before. Earnings per common shares were \$2.62 and \$2.64 in 2018. Included in this report is our Statement of Financial Condition and Income Statement. Our full 2019 Consolidated Financial Statements are available on our website at www.chbny.com

We are pleased that the federal government was able to put aside its partisan bickering and passed the \$2 trillion Stimulus package which includes critically needed small business loans intended to keep businesses open and employees on the payroll. Our bank is doing its part by working closely with our customers who need help with loan payments. Hopefully, the government will continue passing laws that will allow our nation to quickly recover from this unparalleled disruption. We will continue to do our part. We will also continue to serve our customers the best we can under any circumstances. Many non-essential businesses have closed and we hope that they will be able to open again soon.

We can only wish that all of you stay safe and healthy! We have learned that what seems important under normal conditions, completely changes in times of crisis, especially when it comes to your health. We wish you in the best in 2020 and beyond.



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



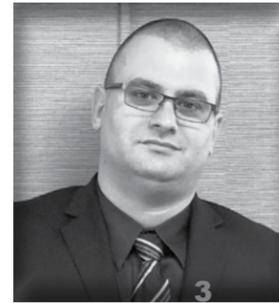
Kevin S. McLaren
President
Director (Bank)



Kevin T. Cannon
Executive Vice President
Chief Administrative Officer



Robert A. Pettine
Executive Vice President
Chief Financial Officer



Theodore Tomita, III
Executive Vice President
Chief Technology Officer
Chief Information Security Officer

*We wish to thank our customers,
employees and managers for their support
and hard work in 2019.*

*We also thank each stockholder for
supporting your Company and your Bank.*

Shareholder Information

Consolidated Financial Statements

The complete December 31, 2019 and 2018 Consolidated Financial Statements can be viewed on the Investors Page at www.chbny.com.

Annual Meeting of Shareholders

The Company's annual meeting of shareholders will be held on Tuesday May 19, 2020. Due to the current coronavirus 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 19, 2020. Only holders of common stock as of April 17, 2020 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



Lending Department

Residential

From Left to Right:

Rick Murphy

Senior Loan Officer

Madeleine Canastra

Mortgage Specialist

Brian Garis

VP Sales Manager

Stephanie Zocco

SVP Residential Manager

Ann Edsforth

Mortgage Specialist



Commercial



Henri D. Langevin

Senior Vice President

Regional Senior Loan Officer

Capital Region



Bryan Smith

Vice President

Regional Loan Officer

Mid-Hudson Region

& Ulster County



Fil Nieves

Vice President

Regional Senior Loan Officer

Mid-Hudson Region

Sullivan & Orange Counties



Markland Shaw

Senior Vice President

Credit Manager



Matt McLaren

Junior Credit Analyst



Monticello Debuts

While many banks have left the area, we are showing our commitment by reinvesting in Sullivan County. Our largest branch by deposits, Monticello provides our customers with easier access, ample parking, spaciousness and a contemporary drive-thru facility in an architecturally significant design. The building contains the branch as well as separate offices and conference room.



Top: Lobby entrance features stunning design

Inset: Open office concept

Right: Conference facility connects corporate offices and 13 branches

Below: Artist's rendering of exterior



Catskill Hudson Bancorp, Inc.

CONSOLIDATED BALANCE SHEETS

(in thousands)

December 31	2019	2018
Assets		
Cash and Cash Equivalents	\$ 30,440	\$ 37,409
Certificates of Deposit	28	28
Securities Available for Sale, at Fair Value	124,938	108,844
Securities Held to Maturity, Fair Value 2019 \$6,131; 2018 \$6,055	5,872	6,282
Loans, Net of Allowance for Loan Losses 2019 \$2,207; 2018 \$2,785	326,909	300,111
Restricted Investment in Bank Stocks	796	700
Premises and Equipment, Net	9,853	5,136
Bank-owned Life Insurance	1,877	1,845
Accrued Interest Receivable and Other Assets	2,441	3,567
Total Assets	\$ 503,154	\$ 463,922
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Interest Bearing	386,904	350,356
Noninterest Bearing	76,369	77,829
Total Deposits	\$ 463,273	\$ 428,185
Subordinated Debentures	10,844	10,822
Junior Subordinated Debentures	3,299	3,299
Accrued Interest Payable and Other Liabilities	734	1,021
Total Liabilities	\$ 478,150	\$ 443,327
Stockholders' Equity		
Preferred Stock	-	-
Common Stock	711	709
Treasury Stock (8,416 shares at December 31, 2019 and 2018)	(152)	(152)
Additional Paid-in Capital	7,348	7,311
Retained Earnings	17,221	15,687
Accumulated Other Comprehensive Loss	(124)	(2,960)
Total Stockholders' Equity	\$ 25,004	\$ 20,595
Total Liabilities and Stockholders' Equity	\$ 503,154	\$ 463,922

Catskill Hudson Bancorp, Inc.

CONSOLIDATED STATEMENTS OF NET INCOME

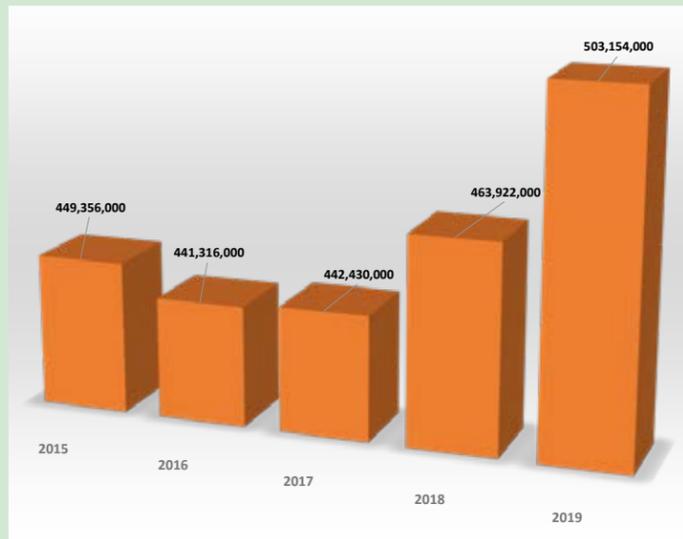
(in thousands, except per share data)

Years Ended December 31	2019	2018
Interest Income		
Loans	\$ 14,918	\$ 13,601
Securities:		
Taxable	2,910	2,447
Tax-exempt	552	665
Other	4	4
Total Interest and Dividend Income	\$ 18,384	\$ 16,717
Interest Expense		
Deposits	3,610	2,249
Borrowings	939	966
Total Interest Expense	\$ 4,549	\$ 3,215
Net Interest Income	13,835	13,502
Provision for Loan Losses	-	-
Net Interest Income, after Provision for Loan Losses	\$ 13,835	\$ 13,502
Noninterest Income		
Service Fees	1,084	948
Net Realized Gains on Sales of Securities		
Available for Sale	35	12
Other Operating Income	133	99
Total Noninterest Income	\$ 1,252	\$ 1,059
Noninterest Expenses		
Salaries and Employee Benefits	7,484	6,829
Occupancy	1,840	1,667
Depreciation and Amortization	592	801
Data Processing Fees	597	570
Stationery, Supplies and Printing	178	196
Professional Fees	162	209
Bank Service Fees	516	463
FDIC Insurance	171	248
Other Operating Expense	1,360	1,410
Total Operating Expenses	\$ 12,900	\$ 12,393
Income before Income Tax Expense	2,187	2,168
Income Tax Expense	344	325
Net Income	\$ 1,843	\$ 1,843
Earnings per Common Share		
Basic and Diluted	\$ 2.62	\$ 2.64

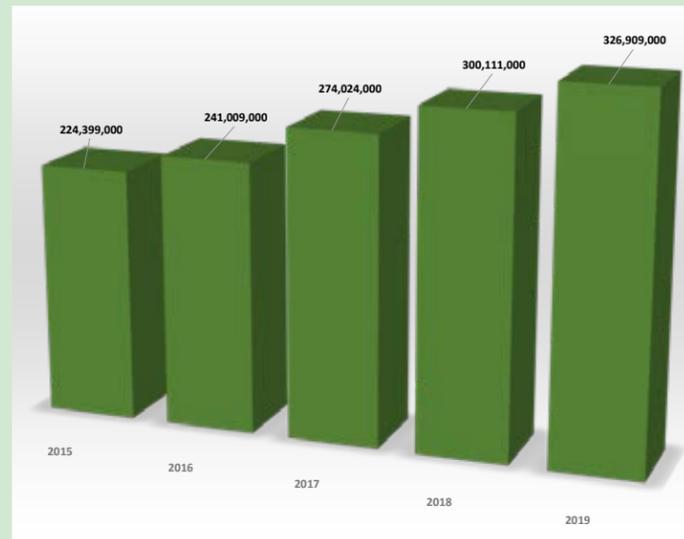
Catskill Hudson Bancorp, Inc.

SELECTED FINANCIAL HIGHLIGHTS

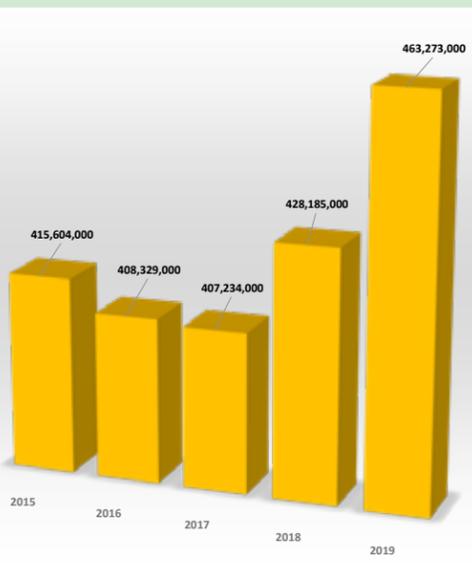
Total Assets



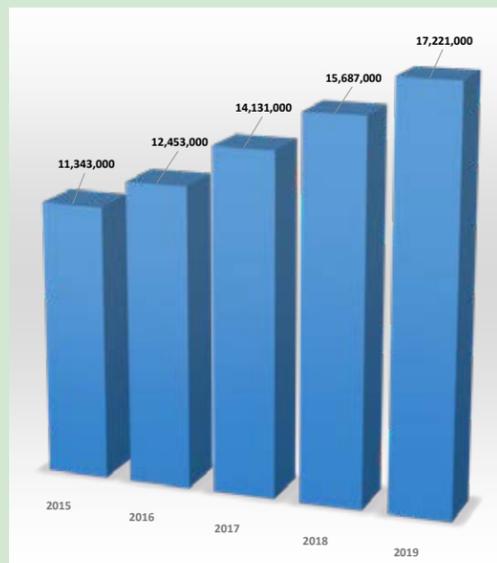
Total Loans



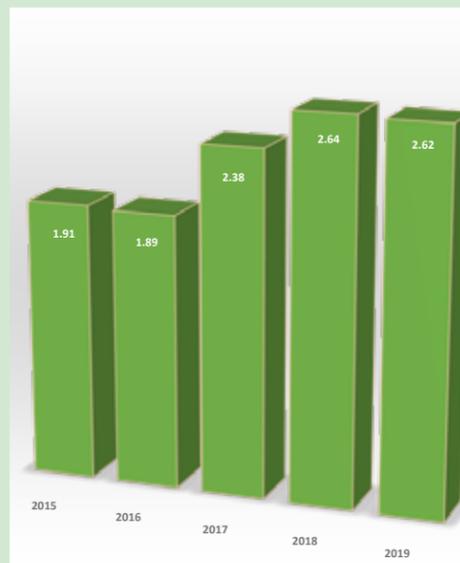
Total Deposits



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

851 New Loudon Road
Latham, NY 12110
518-400-1270

Malta

Bluth Building
2452 Route 9 - Suite 104
Malta, NY 12020
518-289-5463

IT Services
100 Saratoga Village Blvd -
Unit 8
Malta, NY 12020

*Serving the Mid-Hudson
and Capital Regions*



Catskill Hudson Bancorp, Inc.

95 Schwenk Drive, Kingston, New York 12401

877-CHBNY15 ■ www.CHBNY.com

