

August 4, 2009

To our Shareholders:

Included in this quarterly comparative report are the unaudited, consolidated financial statements for the Company and its wholly-owned subsidiary, Catskill Hudson Bank (Bank), for the six months ended June 30, 2009 compared with the six months ended June 30, 2008.

The Company increased its total assets to \$254,234,000 at June 30, 2009 compared to \$186,628,000 at June 30, 2008, an increase of \$67,606,000 or 36.2%. Investment securities increased to \$96,470,000 at June 30, 2009 compared to \$44,545,000 at June 30, 2008, an increase of \$51,925,000 or 116.6%. Net loans increased to \$143,172,000 at June 30, 2009 compared to \$126,844,000 at June 30, 2008, an increase of \$16,328,000 or 12.9%. The growth in investment securities and net loans was primarily funded through increased deposits, which aggregated \$233,355,000 at June 30, 2009 compared to \$170,031,000 at June 30, 2008, an increase of \$63,324,000 or 37.2%. Total stockholders' equity was \$14,693,000 at June 30, 2009 compared to \$10,485,000 at June 30, 2008, an increase of \$4,208,000 or 40.1%.

For the first six months of 2009, the Company achieved a net income of \$555,000 compared to \$242,000 in 2008, an increase of \$313,000 or 129.3%. Income before income taxes was \$706,000 compared to \$303,000 in 2008, an increase of \$403,000 or 133.0%. Net interest income after provision for loan losses was \$4,012,000 compared to \$2,949,000 in 2008, an increase of \$1,063,000 or 36.1%. The provision for loan losses was \$355,000 compared to \$196,000 in 2008, an increase of \$159,000 or 81.1%. During the first six months of 2009, non-interest income increased by \$149,000 and non-interest expense increased by \$809,000 as compared to 2008. The results of operations continue to be impacted by interest rate competition and the expense of building additional infrastructure for an eleven banking office organization.

As previously reported, the Company opted to participate in the Capital Purchase Program under the Emergency Economic Stabilization Act of 2008 in the amount of \$3,000,000. This transaction was completed and funded by the U. S. Treasury on February 27, 2009. As part of this investment by the U. S. Treasury, the Company made commitments to (1) expand the flow of credit to U. S. consumers and businesses on competitive terms to promote the sustained growth and vitality of the U. S. economy and (2) work diligently, under existing programs, to modify the terms of residential mortgages as appropriate to strengthen the health of the U. S. housing market. Quite frankly, that is what we have been doing in the normal course of serving our customers in our targeted market area.

We wish to thank each of you as a shareholder for your continued support of the Company and "YOUR COMMUNITY BANK" as we go through these very difficult economic times for our targeted market area.

Sincerely,

Mario L. Martinez
Chairman of the Board

Glenn B. Sutherland
President and CEO