

April 24, 2020

TO OUR SHAREHOLDERS:

This letter is an Interim Report on National Bank of Coxsackie with particular reference to COVID-19 and the Paycheck Protection Program.

COVID-19

Among area banks, NBC has been a leader in addressing the pandemic.

On March 17, 2020 NBC closed its lobbies. All teller transactions are conducted via drive-thru. We encourage use of online banking. Our new deposit taking ATMs have proven their worth. Our customers have accepted the new regime with good natured understanding.

Necessary interactions between staff and customers, such as loan closings, are conducted using personal protective equipment (PPE). The Bank has provided masks and gloves, and cleaning supplies, and we encourage liberal use. We received a shipment of masks just this morning, which, in this day, is News.

Any employees who are sick, or who have been exposed to sickness, or are at risk due to underlying health conditions, are required to stay home. Employees whose child care arrangements have been disrupted are permitted to stay home. We have maintained full employment and pay for all staff, and no one has been required to use sick time or vacation time.

Interaction among branches and the main office is reduced to a minimum as our overarching goal is to isolate any infection (should it occur) to a single location, and not let it spread bank-wide. So far there are no known cases of Coronavirus among NBC staff. Twenty-two persons are working remotely from home, which has been successful and effective. A question asked generally, not just at NBC, is whether businesses will go back to the old way when the crisis is over. For my part, I would rather come in to the office; after a few days, those working at home have it harder.

Many steps have been taken by Operations to enable remote work, and enhance online security, the details of which are of limited interest to the shareholders, and will not be rehearsed in this letter. Work-from-home (WFH) has seen the metamorphosis of yet another noun – Zoom – to a verb, as in “Zoom me”; or “I will Zoom you”.

PAYCHECK PROTECTION PROGRAM

When the CARES Act was enacted on March 27, 2020 National Bank of Coxsackie was committed to the Paycheck Protection Program (PPP) which provides forgivable loans to small business. NBC was the first bank in the area to master the program. By working eight straight days we developed guidance on calculating the loan amount; obtained the most recent version of the SBA application form; notified our customer and business base; and accepted, reviewed, and corrected these applications.

On Saturday morning, April 4, 2020, we uploaded our first application to the Small Business Administration. Working steadily through Thursday, April 16th at 10:00 a.m., when the funding was exhausted, NBC uploaded and received approval of 209 loans totaling \$15.895 million. We have continued to accept applications in the expectation that more funding will be appropriated by Congress, which in fact occurred last night. As I write this on Friday morning the window for PPP loan applications is about to reopen, and we are poised with 153 more loans ready to be uploaded.

PPP loans are guaranteed 100% by the Small Business Administration, and are short term, with the expectation that they will be forgiven and paid off by the SBA after borrower's eight week performance in maintaining payroll. As such they pose little or no credit risk, and a short term stay on the balance sheet.

BALANCE SHEET AND INCOME

Deposits have held up very well, and stand at \$309 million today. Deposits, and bond maturities, have provided the liquidity needed to fund PPP loans. Even with interest rates down significantly we have been able to maintain or slightly improve our net interest margin. Earnings started slowly in the first quarter 2020, but are expected to improve.

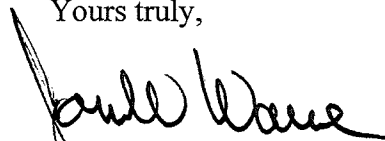
ASSET QUALITY

The Bank's loan portfolio is performing very well, perhaps surprisingly well given the prevailing economic conditions. In fact loans 30 days or more past due at March 31, 2020 was only 0.27% of the loan portfolio, which is almost unheard of. NBC is working with its customers who request and qualify for loan modification due to loss of income. We have modified a number of loans chiefly by granting a three month payment forbearance, and adding the three months to the end of the loan.



I conclude by saying that the staff of National Bank of Coxsackie has performed heroically, working long hours and adapting without complaint to new and different working conditions. We have viewed the COVID pandemic not as a problem but as an opportunity. By providing exceptional customer service the Bank has generated much goodwill and developed a number of new account relationships. You can be proud of being a shareholder of this company.

Yours truly,



James W. Warren
President