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Orange County Bancorp, Inc. Announces Record Third Quarter Results

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FOR IMMEDIATE RELEASE

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- QUARTERLY NET INCOME INCREASED 12.4% OVER PRIOR QUARTER TO $3.2 MILLION
- AVERAGE LOANS UP 31.7% YEAR-OVER-YEAR TO $841.9 MILLION
- AVERAGE DEMAND DEPOSITS UP 38.5% YEAR-OVER-YEAR TO $308.2 MILLION
- TOTAL ASSETS UP 16.3% VERSUS SAME PERIOD LAST YEAR TO $1.24 BILLION
- TANGIBLE BOOK VALUE PER SHARE OF $24.80 UP 22% FROM SAME PERIOD LAST YEAR

MIDDLETOWN, N.Y., OCTOBER 24, 2019 – Orange County Bancorp, Inc. (the "Company" – OTCQX: OCBI), parent of Orange Bank & Trust Co. (the "Bank") and Hudson Valley Investment Advisors, Inc. (HVIA), today announced record net income of $3.2 million, or $0.71 per share, for the three months ended September 30, 2019. This compares with net income of $2.8 million, or $0.63 per share, for the three months ended June 30, 2019 and $2.0 million, or $0.51 per share, for the three months ended September 30, 2018. Net income for the nine month period ended September 30, 2019 increased $3.3 million to $8.2 million, or $1.84 per share, compared to $4.9 million, or $1.39 per share, for the nine months ended September 30, 2018.

"I am very pleased to report another period of record results for the third quarter and year-to-date", said Michael Gilfeather, President and Chief Executive Officer. "The earnings are the result of meaningful contributions from all business lines across our geographic footprint. Loans and deposits, the Bank's core operations, continue to expand, even as the Bank maintains a conservative risk profile and low funding costs. Our ongoing investments in Rockland and Westchester counties remain key to this growth and our continued success. These counties now represent 41% of the Bank's loans and 45% of the Bank's deposits at September 30, 2019.

Total deposit growth was primarily in non-interest bearing commercial demand deposits ("DDA") and NOW accounts; demonstrating a strong market response to our integrated, company-wide focus on business relationships. DDA and NOW balances were 46.7% of total deposits at September 30, 2019. The Bank's investment in state-of the art cash management services has expanded our product depth and is expected to contribute to continued account growth and customer retention.

Our Trust and Asset Management businesses also performed well, significantly increasing fee and non-interest related income. Our newest business service, Private Banking, continues to grow, helping clients and the Company better leverage the capabilities across our organization.

Our record earnings are primarily a result of building on our firm's core competencies – anticipating our customers' needs and delivering the highest quality products, solutions, and services, with a particular focus on business customers in our expanded geographic footprint. Aside from record earnings, this strategy has led to an increase in tangible book value per share from $20.38 at the end of September 2018, to $24.80 at end of September 2019, a 21.8% increase. Results like these don't happen without the trust of our clients, the hard work and dedication of our employees, and ongoing support from our shareholders. Thank you on behalf of myself and the Board."

Income Statement Summary

Net interest income for the three months ended September 30, 2019 increased $2.3 million, or 25.7%, to $11.4 million, compared with the three months ended September 30, 2018. The increase is primarily the result of a $193.5 million, or 18.9%, increase in average interest earning assets, resulting in an 18 basis point increase in net interest margin. The increase in average interest earning assets is due primarily to a $202.5 million, or 31.7%, increase in average loans outstanding. Net interest margin of 3.98% for the three months ended September 30, 2019 represents an 18 basis point, or 4.7%, increase versus 3.80% for the same period last year. The cost of interest-bearing deposits for the three months ended September 30, 2019 was 0.67%, compared to 0.37% for the three months ended September 30, 2018, an increase of 30 basis points, or 79.7%. The Company continued to see strong growth in non-interest bearing demand accounts, with an increase of $85.4 million, or 38.5%, to $308.2 million in average non-interest bearing demand accounts when compared to September 30, 2018.

The bank's provision for loan losses was $640 thousand for the three months ended September 30, 2019, compared to $420 thousand the prior quarter, and $540 thousand for the three months ended September 30, 2018. Non-accrual loans, as a percent of total loans, was 0.28% as of September 30, 2019, an increase of 0.08% from the period ended June 30, 2019, and a decrease of 0.05% for the period ended September 30, 2018. Loans classified as substandard or doubtful decreased $327 thousand, or 2.2%, to $14.3 million as of September 30, 2019, from $14.6 million for the period ended June 30, 2019, and $1.5 million, or 9.7%, from $15.8 million for the period ended September 30, 2018.

Non-interest income increased $404 thousand, to $2.7 million, for the three months ended September 30, 2019 compared to the three months ended June 30, 2019, and $177 thousand compared to the three months ended September 30, 2018. These increases are primarily due to an increase in trust income and realized losses on securities sales during the three months ended June 30, 2019. The Company recorded no such losses in the three month periods ended September 30, 2019, and September 30, 2018.

Non-interest expense increased $610 thousand to $9.6 million for the three months ended September 30, 2019 compared to the three months ended June 30, 2019, and $935 thousand compared to the three months ended September 30, 2018. The year-over-year increase was due primarily to a $714 thousand increase in salaries and employee benefits resulting from growth-related staffing. Non-interest expense for the three months ended September 30, 2019 was favorably impacted by the issuance of insurance credits by the Federal Deposit Insurance Corporation (" FDIC") to small institutions resulting in zero FDIC insurance expense in the three months ended September 30, 2019.

The Company's effective income tax rate for the three months ended September 30, 2019 was 20.4%. This compares with 20.4% for the three months ended June 30, 2019, and 18.6% for the three months ended September 30, 2018. The Company's effective income tax rate for the nine months ended September 30, 2019 was 20.2%. This compares with 19.9% for the nine months ended September 30, 2018.

Balance Sheet Summary

Total balance sheet assets increased $174 million, or 16.3%, to $1.24 billion at September 30, 2019, from $1.07 billion at September 30, 2018. This was primarily due to increases of $182.0 million in net loans and $50.0 million in cash and cash equivalents, partially offset by a $25.3 million decrease in investment securities. The increase in cash and cash equivalents is primarily due to increases in deposits, while the $182.0 million increase in loans was the result of $308.9 million of new loan originations and purchases, partially offset by $152.1 million of net amortization and repayments on our existing portfolio. Net loan purchases during the same period totaled $25.2 million. For the quarter ended September 30, 2019, new loan originations totaled $87.6 million, loan purchases were $1.3 million and net amortization and repayments totaled $44.4 million.

Total liabilities increased $144.7 million to $1.13 billion during the three months ended September 30, 2019, from $1.1 billion at June 30, 2019. This was primarily due to a $154.6 million increase in total deposits partially offset by a $10 million reduction in FHLB advances.

Total deposits at September 30, 2019 were $1.1 billion, an increase of $154.8 million, or 16.3%, from the period ended September 30, 2018 and an increase of $199.6 million, or 22.1%, from the period ended December 31, 2018. Municipal deposits represented 19.7% of total deposits at September 30, 2019 compared to 17.2% at December 31, 2018 and 20.6% at September 30, 2018.

Total shareholders' equity increased $29.8 million, or 33.6%, to $118.5 million at September 30, 2019, from $88.8 million at September 30, 2018. This increase is due to net proceeds from a $16.1 million private securities offering completed October 31, 2018, a $7.5 million increase in retained earnings and a $6.4 million improvement in the market value of securities available for sale.

At September 30, 2019, the Company's book value per common share and tangible book value per common share were $26.52 and $24.80, respectively, compared to $22.38 and $20.38, respectively, at September 30, 2018. This represents increases of 18.6% and 21.8%, respectively. At September 30, 2019, the Bank exceeded the "well capitalized" thresholds under applicable regulatory guidelines.

Asset Quality Summary

Non-performing loans increased to $2.04 million or 0.28% of total loans as of September 30, 2019, from $1.63 million or 0.20% of total loans as of June 30, 2019. Non-performing loans decreased $325 thousand, from $2.3 million or 0.33% of total loans as of September 30, 2018.

Loans classified as substandard or doubtful decreased $327 thousand, or 2.2%, to $14.3 million at September 30, 2019, from $14.6 million at June 30, 2019, and decreased $1.5 million, or 9.7%, from $15.9 million at September 30, 2018. Watch rated loans increased $5.2 million, or 109%, to $9.9 million at September 30, 2019 from $4.7 million at June 30, 2019. Delinquencies increased to $3.9 million or 0.45% of total loans at September 30, 2019, from $2.2 million or 0.27% of total loans at June 30, 2019, and declined $78 thousand from $4.0 million or 0.59% of total loans at September 30, 2018.

At September 30, 2019, the Company's allowance for loan losses was 1.42% of total loans outstanding, a decrease from 1.43% at June 30, 2019 and from 1.49% at September 30, 2018. Notwithstanding net loan growth during the quarter, continued improvement in historical loss rate assumptions and performance of the loan portfolio contributed to the reduction in this allowance ratio.

About Orange County Bancorp, Inc.

Orange County Bancorp, Inc. is the parent company of Orange Bank & Trust Company and Hudson Valley Investment Advisors, Inc. Orange Bank & Trust Company is an independent bank that began with the vision of 14 founders over 125 years ago. It has grown through conservative banking practices, ongoing innovation and an unwavering commitment to its community and business clientele to more than $1 billion in Total Assets. In recent years, Orange Bank & Trust Company has added branches in Rockland and Westchester Counties. Hudson Valley Investment Advisors, Inc. is a Registered Investment Advisor in Goshen, NY. It was founded in 1996 and was acquired by the Company in 2012. For more information, visit orangebanktrust.com or hviaonline.com

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