Orange County Bancorp, Inc. Announces Record 2019 Results

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FOR IMMEDIATE RELEASE

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Net Income for full-year 2019 increased by 47.0% to $11.1 million

Average Loans increased 25.6% year-over-year to $817.5 million

Average Demand Deposits grew 35.5% year-over-year to $333.1 million

Total Assets grew 15.3%, or $163 million versus same period last year to $1.23 billion

Tangible Book Value per Share of $25.30 rose 12.6%, or $2.84, year-over-year

Return on tangible common equity for full-year 2019 of 10.39%, an increase of 154 basis points

Return on average assets for full-year 2019 increased 28.7% to 0.94%

MIDDLETOWN, N.Y., JANUARY 23, 2020 – 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 net income for the quarter and twelve month period ended December 31, 2019 of $2.9 million, or $0.65 per share, and $11.1 million, or $2.47 per share, respectively. These results compare favorably with $2.6 million, or $0.61 per share, and $7.6 million, or $1.87 per share for the three and twelve months ended December 31, 2018, respectively, and reflect record fourth quarter and full year results for the Company.

"I am pleased to report the momentum we have been experiencing as a result of multi-year investments in expansion and personnel continued into the fourth quarter, enabling us to post record Q4 and full year results," said Michael Gilfeather, President and Chief Executive Officer. "I am extremely pleased with the performance of our team. Our core businesses all turned in impressive growth, with loans and deposits up more than 25% and 35%, respectively, versus the prior year, while net interest margin improved 21 basis points to 3.90% for the full year period. This effort was aided by state-of-the-art cash management resources, which have helped our team expand both the depth and efficiency of our product offering and is expected to continue to contribute to profitability, account growth, and customer retention going forward.

Our Trust and Advisory businesses also advanced, surpassing the $1 billion mark in combined assets under management during the year, while our newest service, Private Banking, continues to grow, helping clients and the Company better leverage the services and capabilities of our platform.

Our record earnings are the result of continued focus on our core competencies – anticipating our customers' needs and delivering the highest quality products, services, and solutions. This has yielded particular success with business customers across our legacy and expanded geographic footprint, and contributed to our 47% increase in net income in 2019, to a record $11.1 million, and 12.6% increase in tangible book value. All this was while maintaining our rigorous lending standards and risk controls, insuring the success we achieved in 2019 can continue well into the new decade and beyond."

Income Statement Summary

Net interest income for the twelve months ended December 31, 2019 increased $7.5 million, or 21%, to $43.4 million compared with the same period last year. The increase is primarily the result of a $141.1 million, or 14.5%, increase in average interest earning assets, including a $166.4 million, or 25.6%, increase in average loans outstanding. Net interest margin for the twelve months ended December 31, 2019 was 3.90%, an increase of 21 basis points over the same period last year. The cost of interest-bearing deposits for the twelve months ended December 31, 2019 was 0.60%, compared to 0.35% for the twelve months ended December 31, 2018, an increase of 25 basis points. The Company continued to see strong growth in non-interest bearing demand accounts, with an increase of $67.6 million, or 29.5%, to $296.3 million in average non-interest bearing demand accounts for the twelve months ended December 31, 2019. The total cost of deposits for the twelve months ended December 31, 2019 was 0.43% compared to 0.26% for the twelve months ended December 31, 2018.

Net interest income for the three months ended December 31, 2019 rose $1.4 million, or 14.3%, to $11.3 million, versus the prior year. The increase is primarily the result of a $180.5 million, or 18.1%, increase in average interest earning assets and related $170.5 million, or 24.3%, increase in average loans outstanding. Net interest margin of 3.83% for the three months ended December 31, 2019 represents a 13 basis point, or 3.2%, decrease versus 3.96% for the same period last year.

The bank's provision for loan losses was $2.2 million for the twelve months ended December 31, 2019, compared to $2.5 million for the year ended December 31, 2018. Non-accrual loans, as a percent of total loans outstanding, was 0.17% as of December 31, 2019, a decrease of 0.07% versus the prior quarter and 0.08% for the same quarter last year. Loans classified as substandard or doubtful decreased $294 thousand, or 2.1%, to $14.0 million as of December 31, 2019, from $14.3 million for the period ended September 30, 2019, and decreased $1.3 million, or 8.4%, from $15.3 million for the period ended December 31, 2018.

Non-interest income increased $413 thousand, to $10.4 million, on a year-over-year basis, primarily due to increases in trust income and investment advisory fees of $366 thousand and $214 thousand, respectively. Non-interest income rose $213 thousand, to $2.7 million, for the three months ended December 31, 2019 compared to the three months ended December 31, 2018, primarily as a result of increases in trust income of $89 thousand and investment advisory fees of $114 thousand, respectively.

Non-interest expense rose $3.5 million, or 10.1%, to $37.8 million for the twelve months ended December 31, 2019, as a result of a $2.7 million increase in salaries and employee benefits associated with growth-related staffing. Non-interest expense for the twelve months ended December 31, 2019 was favorably impacted by the issuance of insurance credits by the Federal Deposit Insurance Corporation (“FDIC”) to small institutions, resulting in lower FDIC insurance expense of $370 thousand for the twelve months ended December 31, 2019, versus $521 the prior year. Non-interest expense increased $242 thousand, to $9.8 million, for the three months ended December 31, 2019 compared to the three months ended September 30, 2019, and $1.1 million versus the three months ended December 31, 2018.

Total income before taxes increased $4.7 million, or 51.7%, to $13.9 million for the twelve months ended December 31, 2019, from $9.2 million for the twelve months ended December 31, 2018. The Company’s effective income tax rates for the quarter and twelve months ended December 31, 2019 were 20.6% and 20.3%, respectively. These compare with effective tax rates of 20.4% and 13.4% for the quarters ended September 30, 2019 and December 31, 2018, respectively, and 17.7% for the twelve months ended December 31, 2018.

Balance Sheet Summary

Total balance sheet assets increased $163.0 million, or 15.3%, to $1.23 billion at December 31, 2019, from $1.06 billion at December 31, 2018. This was primarily due to increases of $153.6 million, or 20.8%, in loans receivable and $6.7 million, or 36.7%, in cash and cash equivalents, partially offset by a $1.8 million, or 0.70%, decrease in investment securities. The increase in cash and cash equivalents is principally due to increases in deposits, while the $153.6 million increase in loans was the result of $393.1 million of new loan originations and $25.2 million in purchases, partially offset by $264.7 million of net amortization and repayments on our existing portfolio. For the quarter ended December 31, 2019, new loan originations totaled $84.2 million, there were no loan purchases and net amortization and repayments totaled $61.7 million.

Total liabilities increased $150.6 million, or 15.8%, to $1.11 billion for the twelve months ended December 31, 2019, from $956 million at December 31, 2018. This was largely due to a $178.1 million increase in total deposits partially offset by a $10 million reduction in FHLB advances. Total liabilities decreased $18.9 million from $1.13 billion at September 30, 2019, driven by anticipated seasonal reductions in municipal deposit balances.

Total deposits as of December 31, 2019 were $1.1 billion, an increase of $178.1 million, or 19.7%, from the prior year. Commercial deposits increased $111.4 million, or 28.2%, to $505.7 million, or 46.7%, of total deposits at December 31, 2019 compared to $394.4 million, or 43.6% of total deposits at December 31, 2018. Noninterest bearing deposits increased $95.0 million, or 39.5%, to $335.5 million during the twelve months ended December 31, 2019.

Total shareholders’ equity increased $12.4 million, or 11.4%, to $120.9 million at December 31, 2019, from $108.5 million at December 31, 2018. This increase is due to, a $7.8 million increase in retained earnings and a $4.4 million improvement in the market value of securities available for sale.

At December 31, 2019, the Company’s book value per common share and tangible book value per common share were $26.99 and $25.30, respectively, compared to $24.22 and $22.46, respectively, at December 31, 2018. This represents increases of 11.5% and 12.6%, respectively. At December 31, 2019, the Bank exceeded the “well capitalized” thresholds under applicable regulatory guidelines.

Asset Quality Summary

Non-performing loans decreased to $1.55 million or 0.25% of total loans as of December 31, 2019, from $2.04 million or 0.25% of total loans as of September 30, 2019. Non-performing loans decreased $276 thousand, from $1.8 million or 0.26% of total loans as of December 31, 2018.

Loans classified as substandard or doubtful decreased $274 thousand, or 2.1%, to $14.0 million at December 31, 2019, from $14.3 million at September 30, 2019, and decreased $1.3 million, or 8.4%, from $15.3 million at December 31, 2018. Watch rated loans increased $1.3 million, or 13.3%, to $11.2 million at December 31, 2019 from $9.9 million at September 30, 2019. Delinquencies increased to $8.2 million or 0.92% of total loans at December 31, 2019, from $3.9 million or 0.45% of total loans at September 30, 2019, and increased $1.5 million from $6.7 million or 0.90% of total loans at December 31, 2018. The increase in delinquencies is primarily attributable to a single relationship that was made current by the borrower subsequent to the year ended December 31, 2019.

At December 31, 2019, the Company’s allowance for loan losses was 1.38% of total loans outstanding, a decrease from 1.42% at September 30, 2019 and from 1.44% at December 31, 2018. Notwithstanding net loan growth during the year, 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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LET US CONTACT YOU