

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): January 31, 2024

Orange County Bancorp, Inc.
(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction)
of Incorporation)

001-40711
(Commission File No.)

212 Dolson Avenue, Middletown, New York
(Address of Principal Executive Offices)

Registrant's telephone number, including area code: (845) 341-5000

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| <u>Title of each class</u> | <u>Trading Symbol(s)</u> | <u>Name of each exchange on which registered</u> |
|--------------------------------|--------------------------|--|
| Common Stock, par value \$0.50 | OBT | The NASDAQ Stock Market LLC |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition

On January 31, 2024, Orange County Bancorp, Inc. (the “Company”) issued a press release reporting its financial results at and for the twelve months ended December 31, 2023.

A copy of the press release is attached as Exhibit 99.1 to this report and is being furnished to the Securities and Exchange Commission and shall not be deemed filed for any purpose.

Item 9.01 Financial Statements and Exhibits

(a) Financial statements of businesses acquired. None.

(b) Pro forma financial information. None.

(c) Shell company transactions: None.

(d) Exhibits.

[99.1](#)

[Press release dated January 31, 2024](#)

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Cover Page for this Current Report on Form 8-K, formatted in Inline XBRL

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

ORANGE COUNTY BANCORP, INC.

DATE: February 1, 2024

By: /s/ Michael Lesler
Michael Lesler
Executive Vice President, Chief Financial Officer



FOR IMMEDIATE RELEASE

Orange County Bancorp, Inc. Announces Fourth Quarter and Record Full-Year Earnings for Fiscal 2023:

Select Highlights include -

- Net Income of \$29.5 million for the year ended December 31, 2023 represents an increase of \$5.1 million, or 21.0%, as compared to \$24.4 million for the year ended December 31, 2022
- Net interest margin of 3.78% for the year ended December 31, 2023 represents an increase of 26 basis points, or 7.4%, versus the year ended December 31, 2022
- Total Assets grew \$198.1 million, or 8.7%, to \$2.5 billion at December 31, 2023 as compared to the prior year end
- Total Loans grew \$177.6 million, or 11.3%, reaching \$1.8 billion at December 31, 2023 versus prior year end
- Total Deposits rose \$64.4 million, or 3.3%, reaching \$2.0 billion at December 31, 2023 as compared to prior year end
- Book value per share increased \$4.78, or 19.5%, reaching \$29.26 at December 31, 2023 as compared to \$24.48 at December 31, 2022
- Trust and investment advisory income rose \$1.0 million, or 11.2%, to \$10.3 million, for the year ended December 31, 2023 from \$9.3 million for the year ended December 31, 2022.

MIDDLETOWN, N.Y., January 31, 2024 – Orange County Bancorp, Inc. (the “Company” - Nasdaq: OBT), parent company of Orange Bank & Trust Co. (the “Bank”) and Hudson Valley Investment Advisors, Inc. (“HVIA”), today announced net income of \$29.5 million, or \$5.24 per basic and diluted share, for the year ended December 31, 2023 as compared to \$24.4 million for the year ended December 31, 2022. This represents an increase of 21.0%, or \$5.1 million. The increase in full year earnings was the result of continued strong growth in net interest income, including interest income associated with loans and cash balances, as well as a reduction in expense related to provision for credit losses. For the quarter ended December 31, 2023, the Company earned \$8.1 million, or \$1.44 per basic and diluted share, as compared to \$9.1 million, or \$1.61 per basic and diluted share, for the quarter ended December 31, 2022. This decrease was primarily due to increased interest expense associated with the rising rate environment during 2023.

Book value per share rose \$4.78, or 19.5%, from \$24.48 at December 31, 2022 to \$29.26 at December 31, 2023. Tangible book value per share also increased \$4.84, or 20.8%, from \$23.28 at December 31, 2022 to \$28.12 at December 31, 2023 (see “Non-GAAP Financial Measure Reconciliation” below for additional detail). These increases were due primarily to earnings growth during the year coupled with a decrease in unrealized losses in the investment portfolio attributed to interest rate changes in the fourth quarter 2023.

“I am very pleased and excited to report record full year earnings for 2023,” said Orange Bank President and CEO Michael Gilfeather. “It was an extremely challenging year for the banking sector, with the Federal Reserve’s inflation fighting efforts resulting in four interest rate increases through July, before turning less hawkish. Though economic activity in our operating markets remained strong throughout the year, loan demand was gradually tempered by the rising costs of lending. Throughout the year, we remained laser-

focused on our low-cost deposit base, which is closely linked to our cash management services. This attention to account relationships has been a key driver of our business success and market leading net interest margin.

Our management team's ability to execute on our "trusted advisor" strategy in response to these complex market dynamics laid the foundation for our success in 2023. The combination of experience and execution resulted in record earnings for the year, with net income up \$5.1 million, or 21.0%, to \$29.5 million primarily due to strong net interest margin and effectively managed growth of loans and deposits.

For the year, total loans grew \$177.6 million, or 11.3%, to \$1.8 billion at December 31, 2023. Though marginally slower than in prior periods, we intentionally managed loan growth lower in response to elevated market uncertainty. As a result, the average yield on our loan portfolio for full year 2023 rose 92 basis points, or 19.2%, to 5.72% versus 4.80% for the year ended December 31, 2022. As competitors backed away from loan origination, we still seized the opportunity to initiate and further build relationships with some of the region's most established businesses, strengthening our foundation for long-term, high-quality growth. And with economic activity across our operating regions continuing to remain strong, we are optimistic additional opportunities will continue to present themselves.

On the funding side, total deposits rose \$64.4 million, or 3.3%, to \$2.0 billion at December 31, 2023 in comparison to year end 2022, despite the challenging rate environment. As a business-focused bank, we have managed liquidity needs and funding costs through FHLB borrowing and brokered deposits. This affords us the ability to better manage long-term funding costs and, in conjunction with our significant non-interest-bearing deposit base, is reflected in our consistently low cost of deposits. Average cost of deposits for the year ended December 31, 2023, stood at 94 basis points, up 73 basis points over 2022. Despite the challenges higher interest rates present in gathering new deposits, we believe our client-centric, business banking model enables us to lessen the impact of higher rates, grow core deposits, and reduce borrowing costs as markets and opportunities allow.

The combination of conservative, high-quality growth in our loan portfolio and higher, but managed deposit costs resulted in net interest margin increasing 26 basis points, or 7.4%, to 3.78% for the full year ended December 31, 2023. Though pleased with these results, we know our ability to increase net interest margin in the face of continued relative high interest rates will remain challenging. We believe, however, our consistently demonstrated ability to manage net interest margin pressure in 2023 reflects the quality and durable nature of our business model.

Our Wealth Management division also showed strong results for the quarter and year, providing the Bank with an additional stream of income ancillary to our core lending business. While outside the traditional bank model, wealth management has become an essential part of our service offering, providing businesses and high net worth individuals expertise that strengthens their relationship with the Bank. For the quarter and full year ended December 31, 2023, trust and investment advisory income rose \$466 thousand, or 19.9%, to \$2.8 million and \$1.0 million, or 11.2%, to \$10.3 million, respectively, versus the same quarter and full year ended December 31, 2022.

As previously mentioned, this past year has been one of the most challenging for the banking industry in recent history. This makes our strong quarterly and record full year results all the more impressive. It is the result of unwavering commitment to our clients, knowledge of the markets we serve, and diligent management focus on execution. These allowed us to respond to changing market dynamics, maintain margins and credit quality, and increase profitability. The true test of any business model isn't just how well it performs in good times, but how well it performs when challenged. I am pleased to report ours performed admirably and again thank our employees for their outstanding efforts, our shareholders for their ongoing support, and our clients for their unwavering trust. Without all three, 2023 would have yielded lesser results."

Fourth Quarter and Full Year 2023 Financial Review

Net Income

Net income for the fourth quarter of 2023 was \$8.1 million, a decrease of \$948 thousand, or 10.5%, from net income of \$9.1 million for the fourth quarter of 2022. This decrease represents a combination of lower net interest income and increased noninterest expenses versus the same quarter last year. Net income for the twelve months ended December 31, 2023 was \$29.5 million as compared to \$24.4 million for 2022.

Net Interest Income

For the three months ended December 31, 2023, net interest income fell \$676 thousand, or 3.0%, to \$22.2 million, versus \$22.8 million during the same period last year. Although total interest income rose, the decrease was driven primarily by a \$6.6 million increase in interest expense related to deposit and borrowing costs in the current period. For the year ended December 31, 2023, net interest income increased \$10.3 million, or 13.2%, over the year ended December 31, 2022.

Total interest income rose \$5.9 million, or 23.2%, to \$31.6 million for the three months ended December 31, 2023, compared to \$25.6 million for the three months ended December 31, 2022. The increase reflected 23.1% growth in interest and fees associated with loans, a 0.5% increase in income from taxable investment securities, and a 132.6% increase in income related to fed funds interest and balances held at correspondent banks. For the year ended December 31, 2023, total interest income rose \$33.6 million, or 39.8%, to \$117.8 million as compared to \$84.2 million for the year ended December 31, 2022.

Total interest expense increased \$6.6 million during the fourth quarter of 2023, to \$9.4 million, as compared to \$2.8 million in the fourth quarter of 2022. The increase represented the continued impact of rising interest rates and higher cost FHLB borrowings and brokered deposits as alternate sources of funding. Interest expense from FHLB advances during the current quarter totaled \$2.6 million as compared to \$599 thousand during the fourth quarter of 2022. Interest expense related to brokered deposits totaled \$2.4 million during the fourth quarter of 2023 as compared to \$108 thousand during the fourth quarter of 2022. Interest expense associated with savings and NOW accounts totaled \$4.1 million during the fourth quarter of 2023 as compared to \$1.8 million during the fourth quarter of 2022. During the year ended December 31, 2023, total interest expense rose \$23.2 million, to \$29.4 million, as compared to \$6.1 million for last year.

Provision for Credit Losses

As of January 1, 2023, the Company adopted the current expected credit losses methodology ("CECL") accounting standard, which includes loans individually evaluated, as well as loans evaluated on a pooled basis to assess the adequacy of the allowance for credit losses. The Bank seeks to estimate lifetime losses in its loan and investment portfolio by using expected discounted cash flows and supplemental qualitative considerations, including relevant economic considerations, portfolio concentrations, and other external factors, as well as evaluating investment securities held by the Bank.

The Company recognized a provision for credit losses of \$462 thousand for the three months ended December 31, 2023, as compared to \$1.0 million for the three months ended December 31, 2022. This decrease reflects the impact of the methodology associated with estimated lifetime losses and types of loans closed during the quarter. The allowance for credit losses to total loans was 1.44% as of December 31, 2023 versus 1.39% as of December 31, 2022. For the year ended December 31, 2023, the provision for credit losses totaled \$7.9 million, as compared to \$9.5 million for the year ended December 31, 2022. The 2023 provision includes the effect of a \$5 million reserve associated with the write-off of an investment in Signature Bank subordinated debt. No additional reserves for investment securities were recorded during 2023.

Non-Interest Income

Non-interest income rose \$662 thousand, or 21.5%, to \$3.7 million for the three months ended December 31, 2023 as compared to \$3.1 million for the three months ended December 31, 2022. This growth was related to increased fee income within each of the Company's fee income categories, including investment advisory, trust, and service charges on deposit accounts. For the year ended December 31, 2023, non-interest income increased approximately \$1.4 million, to \$13.4 million, as compared to \$12.0 million for the year ended December 31, 2022.

Non-Interest Expense

Non-interest expense was \$14.7 million for the fourth quarter of 2023, reflecting an increase of \$1.4 million, or 10.1%, as compared to \$13.4 million for the same period in 2022. The increase in non-interest expense for the current three-month period was the result of continued investment in Company growth. This investment consists primarily of increases in compensation, occupancy, information technology, and deposit insurance costs. Our efficiency ratio increased to 56.9% for the three months ended December 31, 2023, from 51.7% for the same period in 2022. For the year ended December 31, 2023, our efficiency ratio remained level at 55.8% as compared to year end 2022. Non-interest expense for the year ended December 31, 2023 reached \$56.8 million, reflecting a \$6.5 million increase over non-interest expense of \$50.3 million for the year ended December 31, 2022.

Income Tax Expense

Provision for income taxes for the three months ended December 31, 2023 was \$2.6 million, compared to \$2.5 million for the same period in 2022. The increase was directly related to required provisions associated with the company's earnings for the quarter. For the year ended December 31, 2023, the provision for income taxes was \$7.7 million, as compared to \$5.9 million for the year ended December 31, 2022. Our effective tax rate for the three-month period ended December 31, 2023 was 24.1%, as compared to 21.3% for the same period in 2022. Our effective tax rate for the year ended December 31, 2023 was 20.7%, as compared to 19.5% for 2022.

Financial Condition

Total consolidated assets increased \$198.1 million, or 8.7%, from \$2.3 billion at December 31, 2022 to \$2.5 billion at December 31, 2023. The increase reflected continued growth in loans, deposits, and cash during the year.

Total cash and due from banks increased from \$86.1 million at December 31, 2022, to \$147.4 million at December 31, 2023, an increase of approximately \$61.3 million, or 71.2%. This increase resulted primarily from increases in deposit balances and borrowings. The increase in borrowings reflected a strategic decision to bolster and maintain higher cash levels during 2023.

Total investment securities fell \$38.6 million, or 7.1%, from \$543.0 million at December 31, 2022 to \$504.5 million at December 31, 2023. The decrease represented a combination of investment maturities and sales, changes in fair value, and a write-off associated with Signature Bank subordinated debt resulting from that bank's failure during the first three months of 2023.

Total loans increased \$177.6 million, or 11.3%, from \$1.6 billion at December 31, 2022 to \$1.8 billion at December 31, 2023. The increase was due primarily to \$161.3 million of commercial real estate loan growth and \$14.7 million of commercial and industrial loan growth. PPP loans decreased to \$215 thousand at December 31, 2023 from \$1.7 million at December 31, 2022.

Total deposits increased \$64.4 million, to \$2.0 billion at December 31, 2023 from approximately \$2.0 billion at December 31, 2022. This increase was due primarily to \$140.1 million of growth in time deposits associated with brokered deposits which the Bank utilized to increase cash balances and support loan growth during the year. Deposit composition at December 31, 2023 included 49.3% in demand deposit accounts (including NOW accounts). Uninsured deposits, net of fully collateralized municipal relationships, remain stable and represent approximately 37% of total deposits at December 31, 2023, as compared to 43% of total deposits at December 31, 2022.

Stockholders' equity increased \$27.2 million, or 19.7%, to \$165.4 million at December 31, 2023 from \$138.1 million at December 31, 2022. The increase was due primarily to \$29.5 million of net income during 2023 and an approximately \$4.1 million decrease in unrealized losses on the market value of investment securities within the Company's equity as accumulated other comprehensive income (loss) ("AOCI"), net of taxes.

At December 31, 2023, the Bank maintained capital ratios in excess of regulatory standards for well capitalized institutions. The Bank's Tier 1 capital-to-average-assets ratio was 9.42%, both common equity and Tier 1 capital-to-risk-weighted-assets were 12.91%, and total-capital-to-risk-weighted-assets was 14.16%.

Wealth Management

At December 31, 2023, our Wealth Management Division, which includes trust and investment advisory, totaled approximately \$1.6 billion in assets under management or advisory as compared to approximately \$1.3 billion at December 31, 2022, reflecting an increase of approximately 24.2%. Trust and investment advisory income for the year ended December 31, 2023 totaled \$10.3 million and represented an increase of approximately 11.2%, or \$1.0 million, as compared to \$9.3 million for year ended December 31, 2022.

The breakdown of trust and investment advisory assets as of December 31, 2023 and December 31, 2022, respectively, is as follows:

ORANGE COUNTY BANCORP, INC.
SUMMARY OF AUM/AUA
(UNAUDITED)

(Dollar Amounts in thousands)

| | At December 31, 2023 | | At December 31, 2022 | |
|---|----------------------|----------------|----------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Investment Assets Under Management & Advisory | \$ 909,384 | 57.56% | \$ 687,491 | 54.03% |
| Trust Asset Under Administration & Management | 670,515 | 42.44% | 585,007 | 45.97% |
| Total | <u>\$ 1,579,899</u> | <u>100.00%</u> | <u>\$ 1,272,498</u> | <u>100.00%</u> |

Loan Quality

At December 31, 2023, the Bank had total non-performing loans of \$4.4 million, or 0.25% of total loans. Total non-accrual loans represented approximately \$4.4 million of loans at December 31, 2023, compared to \$6.1 million at December 31, 2022.

Liquidity

Management believes the Bank has the necessary liquidity to meet normal business needs. The Bank uses a variety of resources to manage its liquidity position. These include short term investments, cash from lending and investing activities, core-deposit growth, and non-core funding sources, such as time deposits exceeding \$100,000, brokered deposits, FHLBNY advances, and other borrowings. As of December 31, 2023, the Bank's cash and due from banks totaled \$147.4 million. The Bank maintains an investment portfolio of securities available for sale, comprised mainly of US Government agency and treasury securities, Small Business Administration loan pools, mortgage-backed securities, and municipal bonds. Although the portfolio generates interest income for the Bank, it also serves as an available source of liquidity and funding. As of December 31, 2023, the Bank's investment in securities available for sale was \$490.0 million, of which \$135.7 million was not pledged as collateral. Additionally as of December 31, 2023, the Bank's overnight advance line capacity at the Federal Home Loan Bank of New York was \$613.6 million, of which \$108.0 million was used to collateralize municipal deposits and \$234.5 million was utilized for overnight and long term FHLBNY advances. As of December 31, 2023, the Bank's unused borrowing capacity at the FHLBNY was \$271.1 million. The Bank also maintains additional borrowing capacity of \$25 million with other correspondent banks. Additional funding is available to the Bank through the Bank Term Funding Program ("BTFP") and discount window lending by the Federal Reserve. The Bank maintains approximately \$102.2 million of collateral under the BTFP but did not utilize this funding source during 2023. The BTFP will expire in March 2024 and no longer be an additional source of funding.

The Bank also considers brokered deposits an element of its deposit strategy. As of December 31, 2023, the Bank had brokered deposit arrangements with various terms totaling \$172.4 million.

Non-GAAP Financial Measure Reconciliations

The following table reconciles, as of the dates set forth below, stockholders' equity (on a GAAP basis) to tangible equity and total assets (on a GAAP basis) to tangible assets and calculates our tangible book value per share.

| | December 31, 2023 | December 31, 2022 |
|--|--|---------------------|
| | (Dollars in thousands except for share data) | |
| Tangible Common Equity: | | |
| Total stockholders' equity | \$ 165,376 | \$ 138,138 |
| <i>Adjustments:</i> | | |
| Goodwill | (5,359) | (5,359) |
| Other intangible assets | (1,107) | (1,392) |
| Tangible common equity | <u>\$ 158,910</u> | <u>\$ 131,387</u> |
| Common shares outstanding | 5,651,311 | 5,642,621 |
| Book value per common share | \$ 29.26 | \$ 24.48 |
| Tangible book value per common share | \$ 28.12 | \$ 23.28 |
| | | |
| Tangible Assets | | |
| Total assets | \$ 2,485,468 | \$ 2,287,334 |
| <i>Adjustments:</i> | | |
| Goodwill | (5,359) | (5,359) |
| Other intangible assets | (1,107) | (1,392) |
| Tangible assets | <u>\$ 2,479,002</u> | <u>\$ 2,280,583</u> |
| Tangible common equity to tangible assets | 6.41% | 5.76% |

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 innovation and an unwavering commitment to its community and business clientele to approximately \$2.5 billion in total assets. Hudson Valley Investment Advisors, Inc. is a Registered Investment Advisor in Goshen, NY. It was founded in 1996 and acquired by the Company in 2012.

Forward Looking Statements

Certain statements contained herein are “forward looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward looking statements may be identified by reference to a future period or periods, or by the use of forward looking terminology, such as “may,” “will,” “believe,” “expect,” “estimate,” “anticipate,” “continue,” or similar terms or variations on those terms, or the negative of those terms. Forward looking statements are subject to numerous risks and uncertainties, including, but not limited to, those related to the real estate and economic environment, particularly in the market areas in which the Company operates, competitive products and pricing, fiscal and monetary policies of the U.S. Government, inflation, changes in government regulations affecting financial institutions, including regulatory fees and capital requirements, changes in prevailing interest rates, increased levels of loan delinquencies, problem assets and foreclosures, credit risk management, asset-liability management, cybersecurity risks, the continuing effects of the COVID-19 pandemic, the financial and securities markets and the availability of and costs associated with sources of liquidity.

The Company wishes to caution readers not to place undue reliance on any such forward looking statements, which speak only as of the date made. The Company wishes to advise readers that the factors listed above could affect the Company’s financial performance and could cause the Company’s actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements. The Company does not undertake and specifically declines any obligation to publicly release the results of any revisions that may be made to any forward looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

For further information:

Michael Lesler
EVP & Chief Financial Officer
mlesler@orangebanktrust.com
Phone: (845) 341-5111

ORANGE COUNTY BANCORP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CONDITION
(UNAUDITED)

(Dollar Amounts in thousands except per share data)

| | December 31, 2023 | December 31, 2022 |
|---|---------------------|---------------------|
| ASSETS | | |
| Cash and due from banks | \$ 147,383 | \$ 86,081 |
| Investment securities - available-for-sale (Amortized cost \$560,994 at December 31, 2023 and \$609,954 at December 31, 2022) | 489,948 | 533,461 |
| Restricted investment in bank stocks | 14,525 | 9,562 |
| Loans | 1,747,062 | 1,569,430 |
| Allowance for credit losses * | (25,182) | (21,832) |
| Loans, net | 1,721,880 | 1,547,598 |
| Premises and equipment, net | 16,160 | 14,739 |
| Accrued interest receivable | 5,934 | 6,320 |
| Bank owned life insurance | 41,447 | 40,463 |
| Goodwill | 5,359 | 5,359 |
| Intangible assets | 1,107 | 1,392 |
| Other assets | 41,725 | 42,359 |
| TOTAL ASSETS | \$ 2,485,468 | \$ 2,287,334 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Deposits: | | |
| Noninterest bearing | \$ 699,203 | 723,228 |
| Interest bearing | 1,339,546 | 1,251,159 |
| Total deposits | 2,038,749 | 1,974,387 |
| FHLB advances, short term | 224,500 | 131,500 |
| FHLB advances, long term | 10,000 | - |
| Subordinated notes, net of issuance costs | 19,520 | 19,447 |
| Accrued expenses and other liabilities | 27,323 | 23,862 |
| TOTAL LIABILITIES | 2,320,092 | 2,149,196 |
| STOCKHOLDERS' EQUITY | | |
| Common stock, \$0.50 par value; 15,000,000 shares authorized; 5,683,304 issued; 5,651,311 and 5,642,621 outstanding, at December 31, 2023 and December 31, 2022, respectively | 2,842 | 2,842 |
| Surplus | 120,392 | 120,107 |
| Retained Earnings | 107,361 | 84,635 |
| Accumulated other comprehensive income (loss), net of taxes | (64,108) | (68,196) |
| Treasury stock, at cost; 31,993 and 40,683 shares at December 31, 2023 and December 31, 2022, respectively | (1,111) | (1,250) |
| TOTAL STOCKHOLDERS' EQUITY | 165,376 | 138,138 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 2,485,468 | \$ 2,287,334 |

* Commencing on January 1, 2023 the allowance calculation is based on the current expected credit loss methodology. Prior to January 1, 2023, the calculation was based on the incurred loss methodology.

ORANGE COUNTY BANCORP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(Dollar Amounts in thousands except per share data)

| | For Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|--|-------------------------------------|-----------------|----------------------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| INTEREST INCOME | | | | |
| Interest and fees on loans | \$ 25,866 | \$ 21,008 | \$ 96,264 | \$ 69,327 |
| Interest on investment securities: | | | | |
| Taxable | 3,153 | 3,136 | 12,723 | 9,871 |
| Tax exempt | 564 | 631 | 2,285 | 2,286 |
| Interest on Federal funds sold and other | 1,984 | 853 | 6,498 | 2,739 |
| TOTAL INTEREST INCOME | 31,567 | 25,628 | 117,770 | 84,223 |
| INTEREST EXPENSE | | | | |
| Savings and NOW accounts | 4,045 | 1,793 | 13,126 | 4,113 |
| Time deposits | 2,500 | 152 | 6,393 | 346 |
| FHLB advances | 2,643 | 599 | 8,938 | 599 |
| Note payable | — | 28 | - | 154 |
| Subordinated notes | 230 | 231 | 922 | 923 |
| TOTAL INTEREST EXPENSE | 9,418 | 2,803 | 29,379 | 6,135 |
| NET INTEREST INCOME | 22,149 | 22,825 | 88,391 | 78,088 |
| Provision for credit losses * | 462 | 1,000 | 7,868 | 9,517 |
| NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES | 21,687 | 21,825 | 80,523 | 68,571 |
| NONINTEREST INCOME | | | | |
| Service charges on deposit accounts | 221 | 182 | 809 | 693 |
| Trust income | 1,391 | 1,195 | 5,098 | 4,764 |
| Investment advisory income | 1,422 | 1,152 | 5,241 | 4,537 |
| Investment securities gains(losses) | — | — | 107 | — |
| Earnings on bank owned life insurance | 259 | 241 | 984 | 950 |
| Other | 450 | 311 | 1,180 | 1,052 |
| TOTAL NONINTEREST INCOME | 3,743 | 3,081 | 13,419 | 11,996 |
| NONINTEREST EXPENSE | | | | |
| Salaries | 6,141 | 5,830 | 24,747 | 22,461 |
| Employee benefits | 2,080 | 1,321 | 7,439 | 5,579 |
| Occupancy expense | 1,147 | 1,076 | 4,761 | 4,467 |
| Professional fees | 1,241 | 1,181 | 4,753 | 4,066 |
| Directors' fees and expenses | 769 | 403 | 1,451 | 1,157 |
| Computer software expense | 1,336 | 1,174 | 5,050 | 4,803 |
| FDIC assessment | 380 | 405 | 1,403 | 1,411 |
| Advertising expenses | 583 | 474 | 1,657 | 1,601 |
| Advisor expenses related to trust income | 31 | 29 | 120 | 215 |
| Telephone expenses | 178 | 174 | 712 | 679 |
| Intangible amortization | 72 | 72 | 286 | 286 |
| Other | 770 | 1,243 | 4,414 | 3,565 |
| TOTAL NONINTEREST EXPENSE | 14,728 | 13,382 | 56,793 | 50,290 |
| Income before income taxes | 10,702 | 11,524 | 37,149 | 30,277 |
| Provision for income taxes | 2,578 | 2,454 | 7,671 | 5,914 |
| NET INCOME | \$ 8,124 | \$ 9,070 | \$ 29,478 | \$ 24,363 |
| Basic and diluted earnings per share | \$ 1.44 | \$ 1.61 | \$ 5.24 | \$ 4.33 |
| Weighted average shares outstanding | 5,632,454 | 5,626,771 | 5,629,150 | 5,621,630 |

ORANGE COUNTY BANCORP, INC.
NET INTEREST MARGIN ANALYSIS
(UNAUDITED)

(Dollar Amounts in thousands)

| | Three Months Ended December 31, | | | | | |
|---|---------------------------------|-----------|--------------|---------------------|-----------|--------------|
| | 2023 | | | 2022 | | |
| | Average Balance | Interest | Average Rate | Average Balance | Interest | Average Rate |
| Assets: | | | | | | |
| Loans Receivable (net of PPP) | \$ 1,725,560 | \$ 25,863 | 5.95% | \$ 1,554,960 | \$ 20,999 | 5.36% |
| PPP Loans | 222 | 3 | 5.36% | 1,738 | 8 | 1.83% |
| Investment securities | 471,955 | 3,480 | 2.93% | 534,649 | 3,706 | 2.75% |
| Due from banks | 149,312 | 1,984 | 5.27% | 99,077 | 853 | 3.42% |
| Other | 12,432 | 237 | 7.56% | 5,808 | 62 | 4.24% |
| Total interest earning assets | 2,359,481 | 31,567 | 5.31% | 2,196,232 | 25,628 | 4.63% |
| Non-interest earning assets | 98,224 | | | 99,111 | | |
| Total assets | <u>\$ 2,457,705</u> | | | <u>\$ 2,295,343</u> | | |
| Liabilities and equity: | | | | | | |
| Interest-bearing demand accounts | \$ 314,008 | \$ 409 | 0.52% | \$ 306,173 | \$ 214 | 0.28% |
| Money market accounts | 600,451 | 2,958 | 1.95% | 664,331 | 1,240 | 0.74% |
| Savings accounts | 228,078 | 678 | 1.18% | 236,328 | 338 | 0.57% |
| Certificates of deposit | 217,137 | 2,500 | 4.57% | 75,228 | 153 | 0.81% |
| Total interest-bearing deposits | 1,359,674 | 6,545 | 1.91% | 1,282,060 | 1,945 | 0.60% |
| FHLB Advances and other borrowings | 187,989 | 2,643 | 5.58% | 50,745 | 599 | 4.68% |
| Note payable | — | — | 0.00% | 1,435 | 28 | 7.74% |
| Subordinated notes | 19,508 | 230 | 4.68% | 19,437 | 231 | 4.72% |
| Total interest bearing liabilities | 1,567,171 | 9,418 | 2.38% | 1,353,677 | 2,803 | 0.82% |
| Non-interest bearing demand accounts | 719,535 | | | 783,605 | | |
| Other non-interest bearing liabilities | 24,376 | | | 22,013 | | |
| Total liabilities | 2,311,082 | | | 2,159,295 | | |
| Total shareholders' equity | 146,623 | | | 136,048 | | |
| Total liabilities and shareholders' equity | <u>\$ 2,457,705</u> | | | <u>\$ 2,295,343</u> | | |
| Net interest income | | \$ 22,149 | | | \$ 22,825 | |
| Interest rate spread ¹ | | | 2.92% | | | 3.81% |
| Net interest margin ² | | | 3.72% | | | 4.12% |
| Average interest earning assets to interest-bearing liabilities | 150.6% | | | 162.2% | | |

Notes:

- ¹ The Interest rate spread is the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities
² Net interest margin is the annualized net interest income divided by average interest-earning assets

ORANGE COUNTY BANCORP, INC.
NET INTEREST MARGIN ANALYSIS
(UNAUDITED)

(Dollar Amounts in thousands)

| | Twelve Months Ended December 31, | | | | | |
|---|----------------------------------|------------------|--------------|---------------------|------------------|--------------|
| | 2023 | | | 2022 | | |
| | Average Balance | Interest | Average Rate | Average Balance | Interest | Average Rate |
| Assets: | | | | | | |
| Loans Receivable (net of PPP) | \$ 1,683,232 | \$ 96,236 | 5.72% | \$ 1,426,478 | \$ 68,405 | 4.80% |
| PPP Loans | 1,133 | 28 | 2.47% | 9,280 | 922 | 9.94% |
| Investment securities | 503,410 | 14,055 | 2.79% | 522,902 | 11,969 | 2.29% |
| Due from banks | 142,003 | 6,498 | 4.58% | 257,218 | 2,739 | 1.06% |
| Other | 11,561 | 953 | 8.24% | 3,643 | 188 | 5.16% |
| Total interest earning assets | <u>2,341,339</u> | <u>117,770</u> | <u>5.03%</u> | <u>2,219,521</u> | <u>84,223</u> | <u>3.79%</u> |
| Non-interest earning assets | 96,259 | | | 91,830 | | |
| Total assets | <u>\$ 2,437,598</u> | | | <u>\$ 2,311,351</u> | | |
| Liabilities and equity: | | | | | | |
| Interest-bearing demand accounts | \$ 331,056 | \$ 1,284 | 0.39% | \$ 345,550 | \$ 524 | 0.15% |
| Money market accounts | 617,345 | 9,429 | 1.53% | 689,610 | 2,931 | 0.43% |
| Savings accounts | 245,663 | 2,413 | 0.98% | 227,938 | 658 | 0.29% |
| Certificates of deposit | 165,239 | 6,393 | 3.87% | 75,354 | 346 | 0.46% |
| Total interest-bearing deposits | <u>1,359,303</u> | <u>19,519</u> | <u>1.44%</u> | <u>1,338,452</u> | <u>4,459</u> | <u>0.33%</u> |
| FHLB Advances and other borrowings | 170,371 | 8,938 | 5.25% | 12,791 | 599 | 4.68% |
| Note payable | — | — | 0.00% | 2,605 | 154 | 5.91% |
| Subordinated notes | 19,481 | 922 | 4.73% | 19,410 | 923 | 4.76% |
| Total interest bearing liabilities | <u>1,549,155</u> | <u>29,379</u> | <u>1.90%</u> | <u>1,373,258</u> | <u>6,135</u> | <u>0.45%</u> |
| Non-interest bearing demand accounts | 717,689 | | | 761,393 | | |
| Other non-interest bearing liabilities | 23,338 | | | 20,744 | | |
| Total liabilities | <u>2,290,182</u> | | | <u>2,155,395</u> | | |
| Total shareholders' equity | 147,416 | | | 155,956 | | |
| Total liabilities and shareholders' equity | <u>\$ 2,437,598</u> | | | <u>\$ 2,133,351</u> | | |
| Net interest income | | <u>\$ 88,391</u> | | | <u>\$ 78,088</u> | |
| Interest rate spread ¹ | | | 3.13% | | | 3.34% |
| Net interest margin ² | | | 3.78% | | | 3.52% |
| Average interest earning assets to interest-bearing liabilities | 151.1% | | | 161.6% | | |

Notes:

¹ The Interest rate spread is the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities

² Net interest margin is the annualized net interest income divided by average interest-earning assets

ORANGE COUNTY BANCORP, INC.
SELECTED RATIOS AND OTHER DATA
(UNAUDITED)

| | Three Months Ended | | Twelve Months Ended | |
|---|--------------------|-------------------|---------------------|---------|
| | December 31, | | December 31, | |
| | 2023 | 2022 | 2023 | 2022 |
| Performance Ratios: | | | | |
| Return on average assets (1) | 1.32% | 1.58% | 1.21% | 1.05% |
| Return on average equity (1) | 22.16% | 26.67% | 20.00% | 15.62% |
| Interest rate spread (2) | 2.92% | 3.81% | 3.13% | 3.34% |
| Net interest margin (3) | 3.72% | 4.12% | 3.78% | 3.52% |
| Dividend payout ratio (4) | 15.95% | 14.27% | 17.57% | 19.15% |
| Non-interest income to average total assets | 0.61% | 0.54% | 0.55% | 0.52% |
| Non-interest expenses to average total assets | 2.40% | 2.33% | 2.33% | 2.18% |
| Average interest-earning assets to average interest-bearing liabilities | 150.56% | 162.24% | 151.14% | 161.62% |
| | At | At | | |
| | December 31, 2023 | December 31, 2022 | | |
| Asset Quality Ratios: | | | | |
| Non-performing assets to total assets | 0.18% | 0.37% | | |
| Non-performing loans to total loans | 0.25% | 0.54% | | |
| Allowance for credit losses to non-performing loans | 568.83% | 258.34% | | |
| Allowance for credit losses to total loans | 1.44% | 1.39% | | |
| Capital Ratios (5): | | | | |
| Total capital (to risk-weighted assets) | 14.16% | 13.95% | | |
| Tier 1 capital (to risk-weighted assets) | 12.91% | 12.70% | | |
| Common equity tier 1 capital (to risk-weighted assets) | 12.91% | 12.70% | | |
| Tier 1 capital (to average assets) | 9.42% | 9.09% | | |

Notes:

- (1) Annualized for the twelve month periods ended December 31, 2023 and 2022, respectively.
- (2) Represents the difference between the weighted-average yield on interest-earning assets and the weighted-average cost of interest-bearing liabilities for the periods.
- (3) The net interest margin represents net interest income as a percent of average interest-earning assets for the periods.
- (4) The dividend payout ratio represents dividends paid per share divided by net income per share.
- (5) Ratios are for the Bank only.

ORANGE COUNTY BANCORP, INC.
SELECTED OPERATING DATA
(UNAUDITED)

(Dollar Amounts in thousands except per share data)

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|---|---------------------------------|-------------------------|----------------------------------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| Interest income | \$ 31,567 | \$ 25,628 | \$ 117,770 | \$ 84,223 |
| Interest expense | 9,418 | 2,803 | 29,379 | 6,135 |
| Net interest income | 22,149 | 22,825 | 88,391 | 78,088 |
| Provision for credit losses | 462 | 1,000 | 7,868 | 9,517 |
| Net interest income after provision for credit losses | 21,687 | 21,825 | 80,523 | 68,571 |
| Noninterest income | 3,743 | 3,081 | 13,419 | 11,996 |
| Noninterest expenses | 14,728 | 13,382 | 56,793 | 50,290 |
| Income before income taxes | 10,702 | 11,524 | 37,149 | 30,277 |
| Provision for income taxes | 2,578 | 2,454 | 7,671 | 5,914 |
| Net income | \$ 8,124 | \$ 9,070 | \$ 29,478 | \$ 24,363 |
| Basic and diluted earnings per share | \$ 1.44 | \$ 1.61 | \$ 5.24 | \$ 4.33 |
| Weighted average common shares outstanding | 5,632,454 | 5,626,771 | 5,629,150 | 5,621,630 |
| | At December 31, 2023 | At December 31, 2022 | | |
| Book value per share | \$ 29.26 | \$ 24.48 | | |
| Net tangible book value per share (1) | \$ 28.12 | \$ 23.28 | | |
| Outstanding common shares | 5,651,311 | 5,642,621 | | |

Notes:

(1) Net tangible book value represents the amount of total tangible assets reduced by our total liabilities. Tangible assets are calculated by reducing total assets, as defined by GAAP, by \$5,359 in goodwill and \$1,107, and \$1,392 in other intangible assets for December 31, 2023 and December 31, 2022, respectively.

**ORANGE COUNTY BANCORP, INC.
LOAN COMPOSITION
(UNAUDITED)**

(Dollar Amounts in thousands)

| | At December 31, 2023 | | At December 31, 2022 | |
|-------------------------------------|----------------------|---------|----------------------|---------|
| | Amount | Percent | Amount | Percent |
| Commercial and industrial (a) | \$ 273,562 | 15.66% | \$ 258,901 | 16.50% |
| Commercial real estate | 1,259,356 | 72.08% | 1,098,054 | 69.97% |
| Commercial real estate construction | 85,725 | 4.91% | 109,570 | 6.98% |
| Residential real estate | 78,321 | 4.48% | 74,277 | 4.73% |
| Home equity | 13,546 | 0.78% | 12,329 | 0.79% |
| Consumer | 36,552 | 2.09% | 16,299 | 1.04% |
| Total loans | 1,747,062 | 100.00% | 1,569,430 | 100.00% |
| Allowance for loan losses | 25,182 | | 21,832 | |
| Total loans, net | \$ 1,721,880 | | \$ 1,547,598 | |
| (a) - Includes PPP loans of: | \$ 215 | | \$ 1,717 | |

**ORANGE COUNTY BANCORP, INC.
DEPOSITS BY ACCOUNT TYPE
(UNAUDITED)**

(Dollar Amounts in thousands)

| | At December 31, 2023 | | | At December 31, 2022 | | |
|-------------------------------------|----------------------|---------|--------------|----------------------|---------|--------------|
| | Amount | Percent | Average Rate | Amount | Percent | Average Rate |
| Noninterest-bearing demand accounts | \$ 699,203 | 34.30% | 0.00% | \$ 723,228 | 36.63% | 0.00% |
| Interest bearing demand accounts | 304,892 | 14.95% | 0.49% | 284,747 | 14.42% | 0.31% |
| Money market accounts | 584,976 | 28.69% | 2.04% | 615,149 | 31.16% | 0.97% |
| Savings accounts | 228,161 | 11.19% | 1.19% | 258,230 | 13.08% | 0.72% |
| Certificates of Deposit | 221,517 | 10.87% | 4.57% | 93,033 | 4.71% | 1.74% |
| Total | \$ 2,038,749 | 100.00% | 1.29% | \$ 1,974,387 | 100.00% | 0.52% |

ORANGE COUNTY BANCORP, INC.
NON-PERFORMING ASSETS
(UNAUDITED)

(Dollar Amounts in thousands)

| | December 31, 2023 | December 31, 2022 |
|---|-------------------|-------------------|
| Non-accrual loans: | | |
| Commercial and industrial | \$ 556 | \$ 1,003 |
| Commercial real estate | 2,692 | 3,882 |
| Commercial real estate construction | — | — |
| Residential real estate | 1,179 | 1,188 |
| Home equity | — | 51 |
| Consumer | — | — |
| Total non-accrual loans | <u>4,427</u> | <u>6,124</u> |
| Accruing loans 90 days or more past due: | | |
| Commercial and industrial | — | 1,850 |
| Commercial real estate | — | — |
| Commercial real estate construction | — | — |
| Residential real estate | — | — |
| Home equity | — | — |
| Consumer | — | 477 |
| Total loans 90 days or more past due | <u>—</u> | <u>2,327</u> |
| Total non-performing loans | <u>4,427</u> | <u>8,451</u> |
| Other real estate owned | — | — |
| Other non-performing assets | — | — |
| Total non-performing assets | <u>\$ 4,427</u> | <u>\$ 8,451</u> |
| Ratios: | | |
| Total non-performing loans to total loans | 0.25% | 0.54% |
| Total non-performing loans to total assets | 0.18% | 0.37% |
| Total non-performing assets to total assets | 0.18% | 0.37% |
| Notes: | | |
| 1 - Includes non-accruing TDRs: | \$ 2,391 | \$ 3,278 |