



ORANGE COUNTY BANCORP, INC.
JUNE 30, 2017 STATEMENT

To our Stockholders, Customers and Friends:

I am pleased to update you on some very positive news as we pass the mid-point of the year.

First, I want to report strong performance in many of our key financial metrics on a year-to-date and year-over-year basis. Below please find unaudited, consolidated financial statements for Orange County Bancorp, Inc. (OCBI) for the six-month period ended June 30, 2017. This report includes financial information for OCBI's two wholly owned subsidiaries, Orange Bank & Trust Company (the "Bank") and Hudson Valley Investment Advisors, Inc. ("HVIA").

CONSOLIDATED UNAUDITED FINANCIAL SUMMARY

	JUNE 30, 2017 (Unaudited, dollars in thousands)	JUNE 30, 2016 (Unaudited, dollars in thousands)	2017 vs. 2016 Percent Change
Total Assets	\$986,612	\$899,165	10%
Total Loans	\$541,385	\$495,980	9%
Total Securities	\$325,151	\$307,357	6%
Total Deposits	\$811,278	\$707,724	15%
Net Income	\$2,057	\$1,479	39%
HVIA AUM	\$751,228	\$665,650	13%

	JUNE 30, 2017 (Unaudited, dollars in thousands)	DECEMBER 31, 2016 (Unaudited, dollars in thousands)	2017 vs. 2016 Percent Change
Total Assets	\$986,612	\$910,688	8%
Total Loans	\$541,385	\$541,866	0%
Total Securities	\$325,151	\$279,283	16%
Total Deposits	\$811,278	\$712,030	14%
HVIA AUM	\$751,228	\$706,123	6%

ORANGE BANK & TRUST COMPANY

Key year-over-year financial results include loan growth of 9%, deposit growth of 15% and a resulting increase in Net Income of 39%. Our results through June 30 compare favorably with year-end 2016 results, as the bank has continued to enjoy strong deposit growth, though loan demand has slowed considerably and loan balances are flat as a consequence. The excess cash from our strong deposit growth has been temporarily invested in securities as can be seen from the 16% growth since year end. These deposit and loan results are attributable to growth throughout our operating region, but particularly in our new markets of Rockland and Westchester counties. See the chart on page 4 reflecting the growth of loans and deposits since our office openings in these new markets.

PRESIDENT'S MESSAGE

Our Rockland headquarters opened this spring after operating out of temporary space for nearly two years. During this time, Regional President, John Bartolotta, and Senior Banker, Greg Sousa, established Orange Bank & Trust as a prominent Rockland County financial institution, securing more than 100 client relationships.

ROCKLAND/WESTCHESTER

	DECEMBER 31, 2015 (Unaudited, dollars in thousands)	DECEMBER 31, 2016 (Unaudited, dollars in thousands)	JUNE 30, 2017 (Unaudited, dollars in thousands)
Loans	\$88,724	\$171,145	\$178,611
Deposits	\$35,527	\$124,105	\$227,736

We recently opened our fourth Westchester office in Mt Vernon. We believe our strong business and non-profit capabilities make this an ideal market for the Bank, as Mt Vernon is home to significant opportunities for both. We also hired a highly experienced Relationship Manager, Patrick Smith, to lead our business in this market, while Regional President Joseph Ruhl coordinates our overall Westchester County strategy. Joe has also continued to attract clients based on his extensive experience with legal industry related businesses.



NEWBURGH COMMITMENT

To capitalize on a growing market with tremendous potential, we have assigned a dedicated Market Manager, Diane Passaro, to lead the Bank's business in Newburgh. Diane has extensive lending, trust and business banking experience and knows the market well. Under her leadership, our goal is to become the dominant bank in the greater Newburgh area as its business community continues to grow.

HUDSON VALLEY INVESTMENT ADVISORS, INC.

Our asset management business, based in Goshen, continues to grow, with Assets Under Management (AUM) on June 30, 2017 of more than \$700 million, up 13% versus 2016 year end. Additionally, our HVIA Mutual Fund, which we launched in October of 2016, grew to more than \$12 million under management as of June 2017.



ORANGE BANK & TRUST LAUNCHES A NEW PRIVATE BANKING SERVICE



This summer we announced a major new initiative intended to leverage and connect the Bank's four core businesses—deposits, loans, asset management and trust & estate. This service is intended to give coordinated and dedicated attention to individuals who maintain significant banking business with us. Moreover, we expect to attract new business from entrepreneurs, business owners, and individuals in the greater Orange County area who feel their companies or unique financial circumstances require a greater level of personal attention and knowledge of their needs.

Trust services have clearly been part of the Bank's business—and name—since its inception, and we believe we are well positioned to excel with this tailored, highly customer-service oriented approach to banking.

CELEBRATING OUR 125TH ANNIVERSARY

We are also proud to announce this year marks our 125th year in business. The Bank's history is rich with significant contributions to growth in the region, including our status as the only Middletown area bank to have survived the Great Depression. Today, Orange Bank & Trust holds nearly \$1 Billion in assets and employs some 150 people throughout our operating region. We remain focused on leveraging our core expertise as a business bank to responsibly deliver income growth, while continuing to earn your confidence as investors, customers and friends of the Bank. Thank you for your ongoing support!

Sincerely,

Michael Gilfeather, President & CEO

CONSOLIDATED STATEMENTS OF CONDITION

JUNE 30, 2017 AND 2016 (UNAUDITED)

(in thousands except for share and per share data)	2017	2016
ASSETS		
Cash and due from banks	\$60,416	\$37,233
Investment securities - available-for-sale	325,151	307,357
Restricted investment in bank stocks	3,568	4,145
Loans	541,385	495,980
Allowance for loan losses	(7,967)	(6,625)
Loans, net	533,418	489,355
Premises and equipment	14,700	14,351
Accrued interest receivable	2,675	3,207
Cash surrender value of bank-owned life insurance	26,089	25,369
Goodwill	5,359	5,359
Intangible assets	2,963	3,249
Other assets	12,273	9,540
TOTAL ASSETS	\$986,612	\$899,165
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	\$191,917	\$138,174
Interest bearing	619,361	569,550
Total Deposits	811,278	707,724
Long-term debt	63,139	78,190
Accrued expenses and other liabilities	16,833	16,447
Total Liabilities	891,250	802,361
STOCKHOLDERS' EQUITY		
Common stock, \$0.50 par value; 5,000,000 shares authorized; 1,990,273 and 1,993,438 issued; 1,957,846 and 1,956,770 outstanding at June 30, 2017 and 2016 respectively	995	997
Surplus	70,352	70,352
Undivided profits	28,013	28,013
Accumulated other comprehensive income, net of taxes	(2,691)	(2,691)
Treasury stock, at cost; 32,427 and 36,668 shares at June 30, 2017 and 2016, respectively	(1,307)	(1,504)
TOTAL STOCKHOLDERS' EQUITY	95,362	96,804
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$986,612	\$899,165

CONSOLIDATED STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2017 AND 2016

(in thousands except for share and per share data)	2017	2016
INTEREST INCOME:		
Interest and fees on loans	\$12,238	\$10,715
Interest on investment securities:		
Taxable	2,466	2,523
Tax exempt	1,026	1,199
Interest on Federal funds sold and other	280	36
TOTAL INTEREST INCOME	16,010	14,473
INTEREST EXPENSE:		
Interest on savings and NOW accounts	307	246
Interest on time deposits	340	407
Interest on long-term debt	940	1,366
TOTAL INTEREST EXPENSE	1,587	2,019
NET INTEREST INCOME	14,423	12,454
Provision for loan losses	695	539
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	13,728	11,915
OTHER OPERATING INCOME:		
Service charges on deposit accounts	468	454
Trust fee income	1,158	863
Investment advisor income	2,028	1,937
Investment security gains, net	189	154
Earnings on bank-owned life insurance	358	363
Other	392	354
TOTAL OTHER OPERATING INCOME	4,593	4,125
OTHER OPERATING EXPENSES:		
Salaries	6,897	6,035
Employee benefits	2,128	1,929
Occupancy expense	1,356	1,168
Furniture and equipment expense	295	305
Professional fees	1,063	964
Directors' fees and expenses	386	377
Advertising expenses	454	365
Computer software expense	861	633
FDIC assessment	171	363
Provision for unfunded commitment losses	330	299
Telephone expenses	261	180
Intangible amortization	143	143
Net expenses from foreclosed assets	11	-
Other	1,341	1,297
TOTAL OTHER OPERATING EXPENSES	15,697	14,058
Income (loss) before income taxes	2,624	1,982
Provision for income taxes	567	503
NET INCOME (LOSS)	\$2,057	\$1,479
Basic earnings (loss) per share	\$1.05	\$0.76
Weighted average shares outstanding	1,956,770	1,955,581

**ORANGE COUNTY BANCORP, INC.
AND ORANGE BANK & TRUST COMPANY
BOARD OF DIRECTORS**

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**ORANGE COUNTY BANCORP, INC.
AND ORANGE BANK & TRUST COMPANY**

Michael Gilfeather, President & CEO

HUDSON VALLEY INVESTMENT ADVISORS, INC.

Gus Scacco, CEO & Chief Investment Officer

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