



(Top left and clockwise: Main Office in Kinderhook, Valatie, Greenport, Latham, Delmar, East Greenbush, Chatham. Front cover: Albany)

# Kinderhook Bank Corp.

## Board of Directors

Brian F. Kelly,  
Chairman of the Board

John A. Balli, CPA

Mary L. Barford

David M. Ginsberg

Brian C. Hart

Jennifer K. Harvey, Esq.

Thomas W. Hunt, CPA

Anthony S. Maney, Esq.

James M. Monahan

Nancy K. Patzwahl, CPA

Scott D. Shallo, Esq., CPA

Robert A. Sherwood

Frank J. Tuttle

## Kleeber Insurance Services Officers

Peter J. Harvey, CIC, CPCU  
President

Robin Kromer, CIA, CISR  
Vice President

\*Insurance products are not a deposit or obligation of, or guaranteed by Kinderhook Bank and are not FDIC insured. May lose value.

Member  
FDIC

## Kinderhook Bank Officers

John A. Balli, CPA  
Chief Executive Officer

Robert A. Sherwood  
President

Timothy M. Ross  
Chief Financial Officer

Lee R. Carman  
Senior Vice President  
Lending

Thomas H. Signor, CPA  
Senior Vice President  
Operations & Technology

Bruce F. Sowalskie  
Senior Vice President &  
Senior Credit Officer

Jeffrey D. Stone  
Senior Vice President  
Retail & Business Development

Scott E. Armando  
Vice President/Branch Manager  
Business Development Officer

George R. Cooper  
Vice President  
Director of Retail Banking

Jeffrey T. Eckert  
Vice President/Branch Manager  
Business Development Officer

Ann M. Finnegan  
Vice President, Commercial Lending  
& Finance Development

Brian V. Garis  
Vice President  
Sales Manager Residential Lending

William C. Gerlach  
Vice President  
Commercial Loan Officer

James J. Morris, IV  
Vice President  
Commercial Real Estate &  
Development Financing

Joanne W. Phillips  
Vice President  
Human Resources & Corp. Secretary

Francis J. Trosset  
Vice President  
Commercial Loan Officer

Stephanie K. Warchak  
Vice President  
Residential Mortgage Underwriting

Nathan E. Winch  
Vice President  
Credit Administration

Kathy M. Bogarski  
Assistant Vice President  
Branch Manager

Alicia L. Coons  
Assistant Vice President  
Branch Manager

Lynn A. Crandall  
Assistant Vice President  
Accounting Manager

Jennifer C. Donoghue  
Assistant Vice President  
Consumer Loan Officer

Deborah D. Gleason  
Assistant Vice President  
Operations Officer

Alicia Gonzalez  
Assistant Vice President  
Branch Manager

Laurae B. Hoffmann  
Assistant Vice President  
Branch Manager

Kevin A. Johnson  
Assistant Vice President  
Security Officer

Donna E. Leiser  
Assistant Vice President  
Branch Manager

Andrew T. Mihachik  
Assistant Vice President  
Commercial Credit Underwriting

Sandee L. Race  
Assistant Vice President  
Electronic Banking Services

Judy L. Waterhouse  
Assistant Vice President  
Commercial Credit Operations

Allyson P. Webster  
Assistant Vice President  
Compliance Officer

Matthew R. Wiseman  
Assistant Vice President  
Branch Manager

## Kinderhook Bank Locations

**Main Office**  
1 Hudson Street  
Kinderhook, NY 12106  
518.758.7101

**Albany**  
39 North Pearl Street  
Albany, NY 12207  
518.512.5699

**Chatham**  
5 Depot Square  
Chatham, NY 12037  
518.392.7400

**Delmar**  
180 Delaware Avenue  
Delmar, NY 12054  
518.472.0340

**East Greenbush**  
567 Columbia Turnpike  
East Greenbush, NY 12061  
518.477.2652

**Greenport**  
96 Union Turnpike  
Hudson, NY 12534  
518.828.1112

**Latham**  
782 Troy-Schenectady Road  
Latham, NY 12110  
518.213.8033

**Valatie**  
2967 Route 9  
Valatie, NY 12184  
518.758.7111

## Kleeber Insurance Services

**Valatie**  
2880 Route 9, P.O. Box 794  
Valatie, NY 12184  
518.758.7123

## Kinderhook Bank Corp. & Subsidiaries

1 Hudson Street, Kinderhook, NY 12106  
518.758.7101 • [www.yourkindofbank.com](http://www.yourkindofbank.com)

Kinderhook Bank Corp. Stock Symbol • OTCQB: NUBK







To our current and future shareholders:

I am pleased to present the 2014 financial results of Kinderhook Bank Corp. in the accompanying pages. Strong continued loan growth was the major success story of the year. Gross loans grew by over \$37 million, or over 15% in 2014.

Kinderhook Bank continues to be a premier lender in the areas we serve and our reputation for providing lending solutions continues to grow. We are fortunate to have a dedicated team of excellent loan producers, credit officers and staff who make this happen over and over.

As you will note on our balance sheet, the loan growth was largely funded by a modest amount of Federal Home Loan Bank advances (\$14 million) and a healthy \$19 million growth in deposits. As a community bank, our primary business purpose is to take in deposits and make solid loans.

I don't think we can better highlight our success at that than reviewing the compound annual growth rates over the last five years for loans (11.89%) and deposits (7.33%). We are certainly very fortunate to have the talent on board that generated these outstanding organic growth results.

Basic earnings per share in 2014 was down \$.35 from 2013, which was a consequence of several anticipated factors. In 2014 we opened a new branch at 39 North Pearl Street in Albany and began hiring for a new banking center in Latham at 782 Troy-Schenectady Road (which will be open before you read this). New branches take time to provide accretion to earnings but we expect the boost in deposits, lending and visibility in the Capital District to outweigh the costs as the branches ramp up.



Brian F. Kelly  
Chairman of the Board  
Kinderhook Bank Corp.



John A. Balli, CPA  
Chief Executive Officer  
Kinderhook Bank



Robert A. Sherwood  
President  
Kinderhook Bank



Peter J. Harvey, CIC, CPCU  
President  
Kleeber Insurance

In 2014 we obtained over \$7 million of new capital as a result of a successful preferred stock issuance. The capital raise was necessary to support our ongoing growth. While the preferred issuance was less dilutive to you as a common shareholder than other alternatives we evaluated, generally speaking a capital raise creates some early dilution until the expected growth occurs.

Specifically, the 2014 basic earnings per share of Kinderhook Bank Corp. would have been approximately \$.39 per share higher than we are reporting (for a total of \$2.71 per share basic EPS) if we had not issued the new capital. As mentioned, the capital was necessary and we have a proven track record of obtaining capital and deploying it over time so that it is beneficial to the metrics that generate value for your investment.

In the last five years we have successfully raised over \$11 million of capital. The compound annual growth rate for assets and basic earnings per share over that same five year period has been 8.36% and 10.79%, respectively. While growth for the sake of growth alone is not universally a good thing, in the banking industry, smart growth provides economies of scale that is the basis for ongoing value creation.

I believe that the Kinderhook Bank success story is gaining traction and this has positively impacted our common stock liquidity. In 2014 your common stock (OTCQB: NUBK) enjoyed a 45% increase over 2013 as measured by total number of shares traded for the year and registered a spectacular 119% increase over 2013 as measured by the number of days in the year the stock traded.



There is more work to be done in this area as the starting point of stock liquidity was modest but we are off to a phenomenal start. We will continue working diligently to get our story out there and generate excitement about who we are and what we can do.

The ongoing challenges in our industry are well-documented. Low interest rates continue to squeeze the critical net interest margin. Continuing regulatory burdens add seemingly never-ending overhead costs. Increased competition for the pool of customers in our markets remains intense. I am fortunate to work with a group of mission-focused entrepreneurs who welcome these challenges and work diligently to provide solutions. This group steps-up and generates business and phenomenal growth and does so in a manner that shows great care, diligence and attention to regulations and sound banking principles. That is the greatest strength of Kinderhook Bank and it is a privilege to be part of it.

As always, I am available to discuss with any shareholder the enclosed materials or any other matter you may wish. In the meantime, thank you for your ongoing confidence and support in us and for investing in your company, Kinderhook Bank Corp.



John A. Balli  
Chief Executive Officer  
Kinderhook Bank

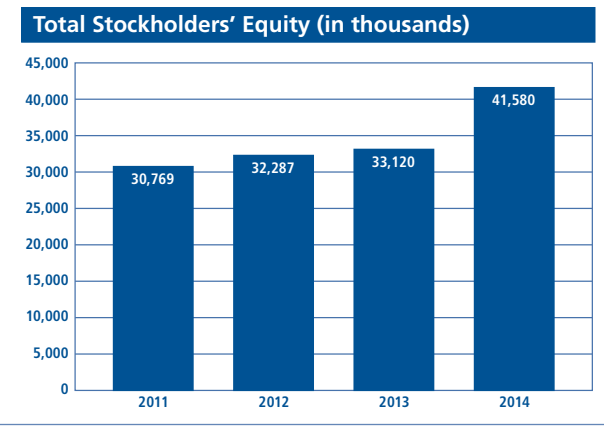
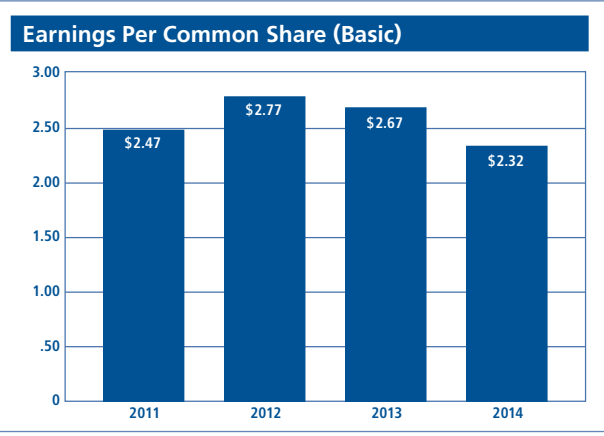
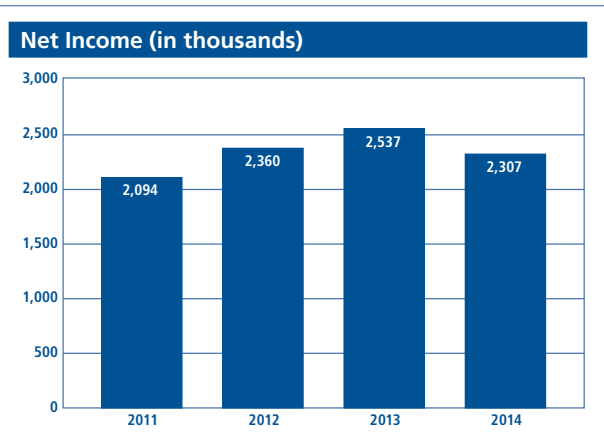


Brian F. Kelly  
Chairman of the Board  
Kinderhook Bank Corp.

### Consolidated Statements of Income

Years ended December 31, 2014 and 2013 (In Thousands, Except Share Data)

	December 31, 2014	December 31, 2013
<b>Interest and dividend income:</b>		
Interest and fees on loans	\$ 12,364	\$ 11,413
Interest on debt securities:		
Taxable	548	489
Tax-exempt	589	569
Dividends	49	47
Other interest	7	9
Total interest and dividend income	13,557	12,527
<b>Interest expense:</b>		
Interest on deposits	1,369	1,265
Interest on Federal Home Loan Bank advances	8	18
Interest on other borrowed funds	-	1
Interest on notes payable	25	24
Interest on junior subordinated debentures	85	118
Total interest expense	1,487	1,426
Net interest and dividend income	12,070	11,101
Provision for loan losses	628	594
Net interest and dividend income after provision for loan losses	11,442	10,507
<b>Noninterest income:</b>		
Customer service charges and fees	1,108	1,032
Gain on sales of loans	276	271
Gain on sale of available-for-sale securities	10	6
Insurance commissions and fees	1,204	1,536
Increase in cash surrender value life insurance policies	213	225
Other income	59	40
Total noninterest income	2,870	3,110
<b>Noninterest expense:</b>		
Salaries and employee benefits	6,279	5,715
Occupancy expense	929	796
Equipment expense	424	434
Professional and assessment fees	502	407
Director fees	213	208
Advertising	308	238
Data processing	477	438
FDIC assessment	229	185
Other expense	1,696	1,560
Total noninterest expense	11,057	9,981
Income before income tax expense	3,255	3,636
Income tax expense	942	1,093
Net income attributable to noncontrolling interest and Kinderhook Bank Corp.	2,313	2,543
Less: Net income attributable to noncontrolling interest	6	6
<b>Net income</b>	<b>\$ 2,307</b>	<b>\$ 2,537</b>
<b>Earnings per common share, basic</b>	<b>\$ 2.32</b>	<b>\$ 2.67</b>
<b>Earnings per common share, assuming dilution</b>	<b>\$ 2.23</b>	<b>\$ 2.67</b>



### Consolidated Balance Sheets

December 31, 2014 and 2013 (In Thousands, Except Share Data)

	December 31, 2014	December 31, 2013
<b>Assets:</b>		
Cash and due from banks	\$ 3,946	\$ 4,554
Interest-bearing deposits with banks	2,945	807
Total cash and cash equivalents	6,891	5,361
Interest-bearing time deposits with other banks	-	1,125
Investments in available-for-sale securities (at fair value)	64,243	61,729
Investments in held-to-maturity securities (fair values of \$1,145 as of 12/31/14 and \$2,150 as of 12/31/13)	1,139	2,128
Federal Home Loan Bank stock, at cost	939	355
Federal Reserve Bank stock, at cost	570	450
Loans held-for-sale	-	10,496
Loans, net	280,516	232,206
Premises and equipment	7,372	5,496
Other real estate owned	607	-
Goodwill	931	931
Intangible assets	381	582
Cash surrender value of life insurance policies	8,033	7,820
Accrued interest receivable	1,085	1,091
Other assets	2,188	2,294
<b>Total assets</b>	<b>\$ 374,895</b>	<b>\$ 332,064</b>
<b>Liabilities and Stockholders' Equity:</b>		
Deposits:		
Non-interest bearing	\$ 42,579	\$ 39,952
Interest bearing	270,394	253,851
Total deposits	312,973	293,803
Federal Home Loan Bank advances	14,000	-
Junior subordinated debentures	2,062	2,062
Notes payable	335	368
Securities sold under agreements to repurchase	178	181
Accrued interest payable	112	56
Other liabilities	3,655	2,474
<b>Total liabilities</b>	<b>333,315</b>	<b>298,944</b>
Stockholders' equity:		
Preferred stock, par value \$25; authorized, 100,000 shares:		
Series A, issued and outstanding, 12,087 shares 6% fixed rate non-cumulative convertible perpetual, liquidation value \$350.00 per share as of December 31, 2014, and 2013	302	302
Series B, issued and outstanding 7,000 shares senior non-cumulative perpetual, liquidation value \$1,000 per share	175	175
Series C, issued and outstanding, 20,687 shares 5.25% fixed rate non-cumulative convertible perpetual, liquidation value \$357.00 per share as of December 31, 2014	517	-
Common stock, par value \$0.83; authorized, 2,000,000 shares; issued and outstanding, 730,861.507 and 732,856.507 shares as of December 31, 2014 and 2013, respectively	606	608
Paid-in capital	22,946	16,221
Retained earnings	16,430	15,253
Accumulated other comprehensive income	547	504
<b>Total Kinderhook Bank Corp. stockholders' equity</b>	<b>41,523</b>	<b>33,063</b>
Noncontrolling interest	57	57
<b>Total stockholders' equity</b>	<b>41,580</b>	<b>33,120</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 374,895</b>	<b>\$ 332,064</b>

