For Release to the Press

Contact: Jenet Ferris
(845) 367-4998

# GREATER HUDSON BANK
# REPORTS INCREASED EARNINGS FOR BOTH THE THREE AND SIX MONTHS ENDED JUNE 30, 2016

**Bardonia, NY, July 18, 2016** – Greater Hudson Bank (the "Bank") (OTCQX: GHDS), with assets of $449.9 million, today reported net income of $956,000 or $0.10 per common share for the second quarter of 2016 compared to $745,000 or $0.07 per common share for the 2015 second quarter. For the six months ended June 30, 2016, net income was $1.886 million or $0.19 per common share compared to $1.573 million or $0.16 per common share for the six months ended June 30, 2015. Return on average common stockholders' equity was 8.37 percent and 8.25 percent for the three and six months ended June 30, 2016 compared to 6.86 percent and 7.32 percent for the three and six months ended June 30, 2015, respectively.

Edward T. Lutz, president and CEO stated, "The Bank's second quarter and first half results reflect our continuing efforts to build a robust earnings record and enhance franchise value through measured growth and expansion of this institution. Our recent capital raise, in which we added $9.2 million to our capital, reflects the confidence of our shareholders in the Bank's strategic direction and performance. The continuing progress in generating strong returns on equity and building book value per share reflect management's laser focus on delivering value to our shareholders. These results are largely attributable to the hard work and dedication of our team of Greater bankers who deserve recognition for their efforts."

**Financial highlights as of June 30, 2016 compared to December 31, 2015 are as follows:**

- Total assets increased $17.2 million, or 4.0 percent, to $449.9 million.
- Investments increased $10.3 million, or 8.1 percent, to $137.8 million.
- Deposits increased $3.2 million, or 1.0 percent, to $343.2 million.
- Stockholders' equity increased $11.1 million, or 24.9 percent to $55.6 million.

**Performance highlights for the three months ended June 30, 2016 compared to the June 30, 2015 period are as follows:**

- Net interest income increased $242,000, or 7.1 percent, to $3.7 million.
- Non-interest expense increased $64,000 or 2.6 percent to $2.6 million.
- The provision for loan losses increased $84,000.
- Gains on securities transactions increased $194,000.

**Performance highlights for the six months ended June 30, 2016 compared to the June 30, 2015 period are as follows:**

- Net interest income increased $585,000, or 8.7 percent, to $7.3 million.
- Non-interest expense increased $151,000 or 3.2 percent to $4.9 million.
- The provision for loan losses increased $46,000.
- Gains on securities transactions increased $82,000.

Kenneth J. Torsoe, chairman of the board stated that, "The Board is proud of the Bank's performance. The guidance and leadership exhibited by this management team in developing the Bank's franchise and bringing sound financial results is exceptional and instills confidence in their ability to meet tomorrow's challenges."

## EARNINGS

| *Results Unaudited | Three months Ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | (in thousands, except ratios) | | | |
| **SUMMARY OF OPERATIONS DATA:** | **2016** | **2015** | **2016** | **2015** |
| Net interest income | $ 3,653 | $ 3,411 | $ 7,291 | $ 6,706 |
| Provision for loan losses | (5) | (89) | 92 | 46 |
| Noninterest income | 118 | 106 | 213 | 247 |
| Gains on securities transactions | 194 | - | 285 | 203 |
| Noninterest Expense | 2,565 | 2,501 | 4,932 | 4,781 |
| Income before income taxes | 1,405 | 1,105 | 2,765 | 2,329 |
| Provision for income taxes | 449 | 360 | 878 | 756 |
| Net income | $ 956 | $ 745 | $ 1,887 | $ 1,573 |
| Efficiency Ratio | 68.0% | 71.1% | 65.7% | 68.8% |
| **AVERAGE BALANCE SHEET DATA:** | **2016** | **2015** | **2016** | **2015** |
| Earning Assets | $ 423,237 | $ 380,005 | $ 419,836 | $ 379,652 |
| Total Interest Bearing Liabilities | 340,457 | 306,422 | 337,752 | 308,246 |
| Net interest spread | 3.35% | 3.49% | 3.38% | 3.45% |
| Net interest margin | 3.45% | 3.59% | 3.47% | 3.53% |

The increase in net income for the three months ended June 30, 2016 compared to the three months ended June 30, 2015, is primarily attributable to an increase in net interest income of $242,000 as a result of an increase in average earning assets, as well as an increase in security gains of $194,000. The increases in net interest income and security gains were partially offset by an increase in the provision for loan losses of $84,000 and an increase to noninterest expense of $64,000, primarily attributable to increases in salary expense and New York State Franchise Tax.

The increase in net income for the six months ended June 30, 2016 compared to the six months ended June 30, 2015, is primarily attributable to an increase in net interest income of $585,000 as a result of an increase in average earning assets, as well as an increase in security gains of $82,000. The increases in net interest income and security gains were partially offset by an increase in the provision for loan losses of $46,000 and an increase to noninterest expense of $151,000, primarily attributable to increases in salary expense, health insurance, director fees, and New York State Franchise Tax.

## BALANCE SHEET & CREDIT QUALITY

| **SELECTED BALANCE SHEET DATA – Unaudited:** **(in thousands, except ratios)** | **June 30, 2016** | **As of December 31, 2015** | **June 30, 2015** |
|---|---|---|---|
| Total Investments | $ 137,782 | $ 127,460 | $ 110,245 |
| Loans, net of unearned income | 284,268 | 282,548 | 263,650 |
| Allowance for loan losses | 3,648 | 3,555 | 3,352 |
| Total assets | 449,917 | 432,701 | 409,307 |
| Total deposits | 343,249 | 340,011 | 325,406 |
| Borrowings | 46,255 | 45,335 | 37,240 |
| Nonperforming assets | 3,910 | 3,185 | 3,203 |
| Allowance for loan losses to total net loans | 1.28% | 1.26% | 1.27% |
| Nonperforming assets to total assets | 0.87% | 0.74% | 0.78% |

The Bank increased total investments by $10.3 million to $137.8 million as of June 30, 2016 compared to December 31, 2015. The increase in investments was funded by increases in total deposits of $3.2 million and stockholders' equity of $11.1 million.

Nonperforming assets increased $725,000 to $3.9 million as of June 30, 2016 from $3.2 million as of December 31, 2015. The balance is related to a limited number of loan relationships that the Bank is actively attempting to remediate and is closely monitoring.

## CAPITAL

| **EQUITY – Unaudited** **(in thousands, except ratios)** | **As of June 30,** | |
|---|---|---|
| | **2016** | **2015** |
| Tier 1 Capital | $ 54,303 | $41,473 |
| Total Stockholders' Equity | 56,672 | 43,087 |
| Book value per common share | 4.60 | 4.30 |
| Tier 1 Leverage Ratio | 12.3% | 10.5% |

The Bank recently raised $9.2 million in capital, which has increased total stockholders' equity to $56.7 million as of June 30, 2016. The Bank's leverage ratio was 12.3 percent at June 30, 2016

compared to 10.5 percent at June 30, 2015. The Bank continues to be considered a well-capitalized institution under current Federal regulatory guidelines.

# # #

Greater Hudson Bank, founded in 2002, is headquartered in Bardonia, NY. The Bank, which specializes in providing customized banking services to Hudson Valley based businesses, non-profits and municipal agencies is chartered by the New York State Department of Financial Services and its deposits are insured by the FDIC. As evidence of the Bank's financial strength, Greater Hudson Bank has been recognized with a superior rating by the country's leading independent bank rating and research firm, BauerFinancial, Inc. Further information can be found on the Bank's website at www.GreaterHudsonBank.com or by calling 844-GREAT-11.

**Forward-Looking Statements**: This Press Release may contain certain statements which are not historical facts or which concern the Bank's future operations or economic performance and which are to be considered forward-looking statements. Any such forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The Bank cautions that all forward-looking statements involve risk and uncertainties, and that actual results may differ from those indicated in the forward-looking statements as a result of various factors, such as changing economic and competitive conditions and other risk and uncertainties. In addition, any statements in this news release regarding historical stock price performance are not indicative of or guarantees of future price performance.