

**GREATER HUDSON BANK, N.A.  
REPORTS INCREASED NET INCOME FOR  
THE 2014 THIRD QUARTER**

**Middletown, NY, October 15, 2014** – Greater Hudson Bank, N.A. (the “Bank”) (OTCQX: GHDS), with assets of \$389.9 million, today reported net income of \$587,000 or \$0.06 per common share for the third quarter of 2014 compared to \$139,000 or \$0.01 per common share for the 2013 third quarter. For the nine months ended September 30, 2014, net income was \$2.227 million, or \$0.22 per common share, compared to \$1.171 million, or \$0.12 per common share, for the nine month period ending September 30, 2013. Return on average common stockholders’ equity was 5.65 percent and 7.33 percent for the three and nine months ended September 30, 2014 compared to 1.41 percent and 3.95 percent for the three and nine months ended September 30, 2013, respectively.

Edward T. Lutz, President and CEO stated, “I am pleased to report that our Bank continues to show resilience as our third quarter results reflect growth in deposits and loans in our core markets. Our *GREATER* bankers continue to provide high service levels and a relationship orientation that will be important in our ongoing goal of customer retention and the winning of new business. Earnings results make evident the effects of a number of factors: the need to furnish reserves for new loan growth, continued margin pressure in the low rate environment, the ability to record gains on sales in the conservative, well managed investment portfolio and expense growth attributable to a variety of factors including problem asset resolution. Earnings efficiency continues to be strong and compares favorably to our competitors as we continue to record progress in meeting our strategic initiatives.”

**Financial highlights as of September 30, 2014 compared to December 31, 2013 are as follows:**

- Total assets increased \$54.1 million, or 16.1 percent, to \$389.9 million.
- Loans, net of unearned income, increased \$21.0 million, or 9.5 percent, to \$241.7 million.
- Investments increased \$29.2 million, or 32.1 percent, to \$120.3 million.
- Deposits increased \$49.0 million, or 18.3 percent, to \$316.3 million.

**Performance highlights for the three months ended September 30, 2014 compared to the September 30, 2013 period are as follows:**

- Net interest income increased \$281,000, or 9.4 percent, to \$3.3 million.
- Non-interest expense increased \$215,000, or 10.4 percent, to \$2.3 million.
- Non-interest income decreased \$59,000, or 33.3 percent, to \$118,000.
- Gains on securities transactions increased \$103,000.
- Provision for loan losses decreased \$640,000.
- Provision for income taxes increased \$302,000 to \$354,000.

**Performance highlights for the nine months ended September 30, 2014 compared to the September 30, 2013 period are as follows:**

- Net interest income increased \$827,000, or 9.7 percent, to \$9.4 million.
- Non-interest expense increased \$866,000, or 14.4 percent, to \$6.9 million.
- Non-interest income decreased \$37,000, or 9.5 percent, to \$351,000.
- Gains on securities transactions increased \$509,000 to \$544,000.
- Provision for loan losses decreased \$1.3 million.
- Provision for income taxes increased \$716,000 to \$1.4 million.

“The Bank continues to position ourselves for growth not only in the present, but on a long term basis,” stated Kenneth J. Torsoe, chairman of the board of directors of Greater Hudson Bank. Mr. Torsoe further stated that, “We are pleased to report the results for the third quarter and nine months, especially considering all the factors which bear upon financial performance. However, market share in deposits and loans continues to trend in a positive direction. Our *GREATER* team of bankers continue to demonstrate the hard work and dedication needed to produce outstanding future results.”

**EARNINGS**

**\*Results Unaudited**

*Results Unaudited	Three months Ended September 30,		Nine months Ended September 30,	
	(in thousands, except ratios)			
<b>SUMMARY OF OPERATIONS DATA:</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Net interest income	\$ 3,262	\$2,981	\$ 9,362	\$ 8,535
Provision for loan losses	266	906	(195)	1,144
Noninterest income	118	177	351	388
Net gains on securities transactions	103	-	544	35
Noninterest Expense	2,276	2,061	6,863	5,997
Income before income taxes	941	191	3,589	1,817
Provision for income taxes	354	52	1,362	646
Net income	\$ 587	\$ 139	\$ 2,227	\$ 1,171
Efficiency Ratio	67.3%	65.3%	70.7%	67.2%
<b>AVERAGE BALANCE SHEET DATA:</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Earning Assets	\$ 361,902	\$ 304,785	\$ 345,644	\$ 299,709
Total Interest Bearing Liabilities	294,149	244,789	283,454	245,905
Net interest spread	3.47%	3.77%	3.51%	3.69%
Net interest margin	3.61%	3.91%	3.61%	3.80%

The increase in net income for the three months ended September 30, 2014 compared to the three months ended September 30, 2013, is primarily attributable to an increase in net interest income of \$281,000, a reduction to the provision for loan losses of \$640,000 and security gains of \$103,000. The increase in net interest income was driven by the growth in the loan portfolio. These increases were partially offset by an increase in non-interest expense, primarily related to increases in salary, legal and consulting, and occupancy expenses, as well as an increase in the reserve for unfunded commitments, which are attributable to the Bank’s continued growth.

Net income for the nine months ended September 30, 2014 increased \$1.1 million compared to the nine months ended September 30, 2013. An increase in net interest income of \$827,000 combined with the reduction in the provision for loan losses of \$1.3 million and an increase in security gains of \$509,000 attributed to the rise in net income. This increase in net income was offset by increases in non-interest expense of \$866,000 primarily related to increases in salary, occupancy, legal, and loan fees. The Bank's reserve for unfunded commitments also declined year-over-year.

As a result of increased income before taxes, the provision for income taxes increased \$302,000 for the third quarter of 2014 and \$716,000 for the year compared to the prior year three and nine month periods, respectively.

## **BALANCE SHEET & CREDIT QUALITY**

### **SELECTED BALANCE SHEET DATA – Unaudited**

(in thousands, except ratios)

	<b>Sept. 30, 2014</b>	<b>Dec. 31, 2013</b>	<b>Sept. 30, 2013</b>
Total Investments	\$ 120,275	\$ 91,080	\$ 92,045
Loans, net of unearned income	241,715	220,742	205,139
Allowance for loan losses	3,159	3,861	3,655
Total assets	389,928	335,787	318,860
Total deposits	316,255	267,245	254,993
Borrowings	29,627	27,667	22,680
Nonperforming assets	3,693	3,666	3,781
Allowance for loan losses to total net loans	1.31%	1.75%	1.78%
Nonperforming assets to total assets	0.95%	1.09%	1.19%

The Bank increased loans, net of unearned income, by \$21.0 million and investments by \$29.2 million as of September 30, 2014 compared to December 31, 2013. These increases were funded by an increase in deposits of \$49.0 million and borrowings of \$2.0 million.

Nonperforming assets were relatively flat at \$3.7 million for both December 31, 2013 and September 30, 2014. The Bank continues to actively attempt to remediate and closely monitor the limited loan relationships that comprise the Bank's remaining non-performing asset balance.

## **CAPITAL**

### **EQUITY – Unaudited**

(in thousands, except ratios)

	<b>September 30, 2014</b>	<b>As of Dec. 31, 2013</b>	<b>September 30, 2013</b>
Tier 1 Capital	\$ 41,395	\$ 39,146	\$ 39,278
Total Stockholders' Equity	41,185	38,975	39,321
Book value per common share	4.11	3.89	3.93
Tier 1 Leverage Ratio	10.9%	12.2%	12.2%

At September 30, 2014, the Bank had \$41.2 million in stockholders' equity. The Bank's leverage ratio was 10.9 percent at September 30, 2014 compared to 12.2 percent at September 30, 2013. The Bank continues to be considered a well-capitalized institution under current Federal regulatory guidelines.

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Greater Hudson Bank, N.A. founded in 2002, is headquartered in Middletown, New York. The Bank has 5 branches which are located in Middletown, Warwick and Monroe, Orange County, New York, Bardonia, Rockland County, New York, and White Plains, Westchester County, New York. The Bank is chartered by the Office of the Comptroller of the Currency and its deposits are insured by the Federal Deposit Insurance Corporation. Further information can be found on the Bank's website at [www.GreaterHudsonBank.com](http://www.GreaterHudsonBank.com).

**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.