

**GREATER HUDSON BANK
REPORTS INCREASED EARNINGS FOR BOTH THE
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016**

Bardonia, NY, October 20, 2016 – Greater Hudson Bank (the “Bank”) (OTCQX: GHDS), with assets of \$459.9 million, today reported net income of \$899,000 or \$0.07 per common share for the third quarter of 2016 compared to \$768,000 or \$0.08 per common share for the 2015 third quarter. The decline in earnings per share for the third quarter reflects a successful capital raise, in which the Bank added \$9.2 million to stockholders’ equity and issued 2,298,750 shares of common stock. For the nine months ended September 30, 2016, net income was \$2.785 million or \$0.26 per common share compared to \$2.341 million or \$0.23 per common share for the nine months ended September 30, 2015. Return on average common stockholders’ equity was 7.87 percent and 8.13 percent for the three and nine months ended September 30, 2016 compared to 6.93 percent and 7.18 percent for the three and nine months ended September 30, 2015, respectively.

Edward T. Lutz, president and CEO stated, “We are happy with our bottom line results. Our efforts to generate core deposits and loan growth should continue to have a positive impact going forward and continue in a measured way. Our objective of delivering solid shareholder returns is being realized as our performance continues to strengthen. Our staff continues to work hard to win new customers and solidify relationships and we commend them for their efforts.”

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

- Total assets increased \$27.2 million, or 6.3 percent, to \$459.9 million.
- Loans, net of unearned income, increased \$11.1 million or 3.9 percent, to \$293.6 million.
- Investments increased \$10.8 million, or 8.5 percent, to \$138.2 million.
- Deposits increased \$18.2 million, or 5.3 percent, to \$358.2 million.
- Borrowings decreased \$4.2 million, or 9.1 percent, to \$41.2 million.
- Stockholders’ equity increased \$12.9 million, or 29.1 percent to \$57.2 million.

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

- Net interest income increased \$362,000, or 10.6 percent, to \$3.8 million.
- Non-interest expense increased \$243,000 or 9.8 percent to \$2.7 million.
- The provision for loan losses increased \$56,000.
- Gains on securities transactions increased \$92,000.

Performance highlights for the nine months ended September 30, 2016 compared to the September 30, 2015 period are as follows:

- Net interest income increased \$947,000, or 9.3 percent, to \$11.1 million.
- Non-interest expense increased \$394,000 or 5.4 percent to \$7.7 million.
- The provision for loan losses increased \$102,000.
- Gains on securities transactions increased \$175,000.

Kenneth J. Torsoe, chairman of the board stated that, “The management team continues to develop this institution in a measured way with an eye toward managing risks, maintaining sound controls, controlling costs and delivering returns within an acceptable range. Execution of the business plan continues along board approved guidelines. The board is pleased with the performance of the Bank’s management and staff.”

EARNINGS

***Results Unaudited**

	Three months Ended September 30,		Nine months ended September 30,	
	<small>(in thousands, except ratios)</small>			
SUMMARY OF OPERATIONS DATA:	2016	2015	2016	2015
Net interest income	\$ 3,786	\$ 3,424	\$ 11,077	\$ 10,130
Provision for loan losses	121	65	213	111
Noninterest income	148	90	361	338
Gains on securities transactions	233	141	518	343
Noninterest Expense	2,721	2,478	7,653	7,259
Income before income taxes	1,325	1,112	4,090	3,441
Provision for income taxes	426	344	1,305	1,100
Net income	<u>\$ 899</u>	<u>\$ 768</u>	<u>\$ 2,785</u>	<u>\$ 2,341</u>
Efficiency Ratio	69.2%	70.5%	66.9%	69.3%
AVERAGE BALANCE SHEET DATA:	2016	2015	2016	2015
Earning Assets	\$ 437,527	\$ 392,755	\$ 425,776	\$ 384,083
Total Interest Bearing Liabilities	338,962	313,135	338,158	309,893
Net interest spread	3.32%	3.35%	3.36%	3.42%
Net interest margin	3.46%	3.49%	3.47%	3.52%

The increase in net income for the three months ended September 30, 2016 compared to the three months ended September 30, 2015, is primarily attributable to an increase in net interest income of \$362,000 as a result of an increase in average earning assets, as well as an increase in security gains of \$92,000. The increases in net interest income and security gains were partially offset by an increase to noninterest expense of \$243,000, primarily due to increases in salary and advisory/outside services expenses as well as an increase to the provision for loan losses of \$56,000.

The increase in net income for the nine months ended September 30, 2016 compared to the nine months ended September 30, 2015, is primarily attributable to an increase in net interest income of \$947,000 as a result of an increase in average earning assets, as well as an increase in security gains of \$175,000. The increases in net interest income and security gains were partially offset by an increase in the provision for loan losses of \$102,000 and an increase to noninterest expense of \$394,000, primarily attributable to increases in salary expense, health insurance, director fees, New York State Franchise Tax, and advisory/outside services expenditures.

BALANCE SHEET & CREDIT QUALITY

SELECTED BALANCE SHEET DATA – Unaudited:

(in thousands, except ratios)

	Sept. 30, 2016	As of December 31, 2015	Sept. 30, 2015
Total Investments	\$ 138,239	\$ 127,460	\$ 115,422
Loans, net of unearned income	293,646	282,548	267,798
Allowance for loan losses	3,763	3,555	3,410
Total assets	459,864	432,701	413,757
Total deposits	358,185	340,011	320,660
Borrowings	41,190	45,335	45,399
Nonperforming assets	4,442	3,185	3,178
Allowance for loan losses to total net loans	1.28%	1.26%	1.27%
Nonperforming assets to total assets	0.97%	0.74%	0.77%

The Bank increased total investments by \$10.8 million to \$138.2 million and loans, net of unearned income by \$11.1 million to \$293.6 million as of September 30, 2016 compared to December 31, 2015. The increases were funded by increases in total deposits of \$18.2 million and stockholders' equity of \$12.9 million.

Nonperforming assets increased \$1.3 million to \$4.4 million as of September 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 September 30,	
	2016	2015
Tier 1 Capital	\$ 55,207	\$ 42,249
Total Stockholders' Equity	57,209	44,301
Book value per common share	4.64	4.42
Tier 1 Leverage Ratio	12.2%	10.3%

The Bank's leverage ratio was 12.2 percent at September 30, 2016 compared to 10.3 percent at September 30, 2015. The increase in stockholders' equity is primary attributable to the Bank's \$9.2 million capital raise in the second quarter of this year. The Bank continues to be considered a well-capitalized institution under current Federal regulatory guidelines.

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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.