

## For Release to the Press

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### **GREATER HUDSON BANK REPORTS INCREASED EARNINGS FOR BOTH THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017**

**Bardonia, NY, October 17, 2017** – Greater Hudson Bank (the “Bank”) (OTCQX: GHDS), with assets of \$479.1 million, today reported net income of \$1.1 million or \$0.09 per common share for the third quarter of 2017 compared to \$899,000 or \$0.07 per common share for the 2016 third quarter. For the nine months ended September 30, 2017, net income was \$2.971 million or \$0.24 per common share compared to \$2.785 million or \$0.26 per common share for the nine months ended September 30, 2016. Return on average common stockholders’ equity was 7.78 percent and 7.10 percent for the three and nine months ended September 30, 2017 compared to 7.87 percent and 8.13 percent for the three and nine months ended September 30, 2016, respectively.

Edward T. Lutz, President and CEO stated, “Earnings were favorably affected by expansion of net interest income and continued positive results on non-performing assets. Although loans and funding declined as prepayments on the portfolio exceeded our expectations, we are very encouraged by the burgeoning loan pipeline that is a result of the market’s positive response to the organizational enhancements mentioned in our last release. We expect to open a new Rockland branch early next year as we emphasize deposit expansion as a pivotal component of enhancing shareholder value. The Bank’s staff has responded very effectively to an increasingly competitive market environment and continues to be the single most important factor in delivering increasingly sound financial results.”

#### **Financial highlights as of September 30, 2017 compared to December 31, 2016 are as follows:**

- Deposits decreased \$15.7 million, or 4.0 percent, to \$382.4 million.
- Borrowings decreased \$15.3 million, or 30.8 percent, to \$34.4 million.
- Total assets decreased \$26.5 million, or 5.2 percent, to \$479.1 million.
- Loans, net of unearned income, decreased \$24.6 million or 7.4 percent, to \$307.6 million.
- Investments decreased \$20.2 million, or 14.0 percent to \$124.3 million.

**Performance highlights for the three months ended September 30, 2017 compared to the September 30, 2016 period are as follows:**

- Net interest income increased \$307,000, or 8.1 percent, to \$4.1 million.
- Non-interest income increased \$152,000 to \$300,000.
- Non-interest expense increased \$168,000 or 6.2 percent to \$2.9 million.
- The provision for loan losses decreased \$181,000.
- Security gains declined by \$173,000.

**Performance highlights for the nine months ended September 30, 2017 compared to the September 30, 2016 period are as follows:**

- Net interest income increased \$1.4 million, or 12.3 percent, to \$12.4 million.
- Non-interest expense increased \$1.3 million or 17.1 percent to \$9.0 million.
- Non-interest income increased \$577,000 to \$938,000.
- The provision for loan losses decreased \$40,000.
- Security gains declined by \$363,000.

Kenneth J. Torsoe, Chairman of the Board commented, “Management continues to perform well and has adapted to market challenges and is delivering sound financial results. The Board continues to support management’s initiatives and the overall direction of the Bank.”

**EARNINGS**

**\*Results Unaudited**

	<b>Three months Ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<small>(in thousands, except ratios)</small>			
<b>SUMMARY OF OPERATIONS DATA:</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Net interest income	\$ 4,093	\$ 3,786	\$ 12,435	\$ 11,077
Provision for loan losses	(60)	121	173	213
Noninterest income	300	148	938	361
Gains on securities transactions	60	233	155	518
Noninterest Expense	2,889	2,721	8,963	7,653
Income before income taxes	1,624	1,325	4,392	4,090
Provision for income taxes	532	426	1,421	1,305
Net income	<u>\$ 1,092</u>	<u>\$ 899</u>	<u>\$ 2,971</u>	<u>\$ 2,785</u>
 Efficiency Ratio	 65.8%	 69.2%	 67.0%	 66.9%
<b>AVERAGE BALANCE SHEET DATA:</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Earning Assets	\$ 452,792	\$ 437,527	\$ 468,819	\$ 425,776
Total Interest Bearing Liabilities	351,533	338,962	367,234	338,158
Net interest spread	3.48%	3.32%	3.45%	3.36%
Net interest margin	3.62%	3.46%	3.54%	3.47%

The increase in net income for the three months ended September 30, 2017 compared to the three months ended September 30, 2016, is primarily attributable to increases in net interest income of \$307,000 and non-interest income of \$152,000. The increase in net interest income is primarily due to an increase in average earning assets. The increase in non-interest income is primarily related to bank-owned life insurance, prepayment penalties and assignment fees along with income from other real estate owned. These increases were partially offset by an increase in non-interest expense of \$168,000, primarily related to other real estate owned expenses and investments in personnel resulting in an increase in salary/benefits. Security gains also declined \$173,000. The provision for loan losses decreased \$181,000, primarily as a result of a decrease in net loans outstanding.

The increase in net income of \$186,000 for the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016, is primarily attributable to increases in net interest income of \$1.4 million and non-interest income of \$577,000. The increase in net interest income is primarily due to an increase in average earning assets. The increase in non-interest income is primarily related to income from bank-owned life insurance, prepayment penalties and assignment fees along with income from other real estate owned. These increases were partially offset by an increase in non-interest expense of \$1.3 million, primarily related to investments in personnel and facilities resulting in salary/benefits and occupancy increases, as well as an increase in other real estate owned expenses and a decrease in security gains of \$363,000.

## **BALANCE SHEET & CREDIT QUALITY**

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

(in thousands, except ratios)

	<b>September 30,</b>	<b>As of</b>	<b>September 30,</b>
	<b>2017</b>	<b>December 31,</b>	<b>2016</b>
	<b>2017</b>	<b>2016</b>	<b>2016</b>
Total Investments	\$ 124,253	\$ 144,433	\$ 138,239
Loans, net of unearned income	307,616	332,175	293,646
Allowance for loan losses	3,810	4,746	3,763
Total assets	479,099	505,601	459,864
Total deposits	382,412	398,161	358,185
Borrowings	34,363	49,624	41,190
Nonperforming assets	8,552	7,977	4,442
Allowance for loan losses to total net loans	1.24%	1.43%	1.28%
Nonperforming assets to total assets	1.79%	1.58%	0.97%

The Bank's investment and loan portfolios decreased \$20.2 million and \$24.6 million, respectively as of September 30, 2017 compared to December 31, 2016. The Bank used security sales, maturities, and loan prepayments to offset the decrease in borrowings of \$15.3 million and the decrease in deposits of \$15.7 million of as of September 30, 2017 compared to December 31, 2016.

Nonperforming assets increased \$575,000 to \$8.6 million as of September 30, 2017 from \$8.0 million as of December 31, 2016. The nonperforming assets are comprised of a limited number of relationships that the Bank's management is aggressively attempting to resolve and are monitored closely.

## CAPITAL

<b>EQUITY – Unaudited</b> (in thousands, except ratios)	<b>As of</b>	
	<b>September 30,</b>	
	<b>2017</b>	<b>2016</b>
Tier 1 Capital	\$ 57,956	\$55,207
Total Stockholders' Equity	58,634	57,209
Book value per common share	4.73	4.64
Tier 1 Leverage Ratio	11.8%	12.2%

The Bank's leverage ratio was 11.8 percent at September 30, 2017 compared to 12.2 percent at September 30, 2016. 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](http://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.