



Annual Report

Genesee Regional Bank



GRB Experience

**The GRB Experience.
Our employees live it.
Our clients benefit from it.
It's how we do business.**



We grow Rochester business by providing a unique banking experience and significant value to area businesses, professionals, and individuals.

Our financial resources and management resourcefulness will provide you with the flexible, creative thinking you need to achieve your goals. With our focus on building a long-term, meaningful relationship, you'll deal with banking professionals who take the time to become trusted advisors and strategic partners.

We trust, appreciate, and depend on each other to deliver extraordinary results.

Our dedicated, energized team is the key to our success, and to yours.

We are empowered to think differently and build relationships in support of clients' success.

Employees at all levels help provide innovative solutions, ensuring high quality, responsive service that's hard to match.



President's Message

Overcoming challenges and building for the future in 2018

2018 marked the first year of GRB's Tax Act Growth (TAG) initiative whereby we established an ambitious goal to reach \$1 billion in assets and \$200 million in annual residential mortgage production by 2023. Over the course of this past year, GRB made several strategic long-term investments in our team, technology and marketing with the purpose of fueling the bank's growth trajectory.



The Tax Cuts and Jobs Act's reduction of the federal corporate tax rate to 21% provided incentive for GRB to make these extraordinary investments with the expectation of future financial benefit. As such, the

strategic expenditures purposely increased overhead expense in 2018 and contributed to lower Return on Asset and Return on Equity results. Looking to the future, much of our work in 2019 establishes a strong foundation on which to improve GRB's financial performance to the exceptional level that is consistent with our historical norm.

Commercial Banking

Unanticipated early commercial loan pay-offs and credit quality weakness associated with a handful of large loan relationships bled over from 2017, creating headwinds to GRB's asset growth, despite the bank recording more than \$100 million in new loan commitments.

It is important to note that the prepayments experienced over the past two years have not been a result of our clients' dissatisfaction with GRB, but rather a consequence of the seasoning of the bank's loan portfolio. As GRB approaches its 17th year of steady growth under current management, we have seen some of our larger clients sell their businesses based on the exceptional valuation premiums presently being offered by private equity and strategic acquirers.

While the bank cannot control unexpected prepayments, credit quality is a priority that has management's full attention. Despite a strong economy, over the past two years GRB has experienced weakening credit quality metrics. In 2018, the bank acted swiftly in

taking appropriate steps in assessing the commercial banking team's management structure and making the decision to separate sales and credit oversight. As a result of these swift actions, asset quality is stronger year over year.

GRB successfully recruited two seasoned local commercial banking executives, Timothy Jones and Randall Cardon, to join GRB's senior leadership ranks as Chief Lending Officer and Chief Credit Officer, respectively. Combined, they bring over 60 years of commercial banking experience. Mr. Jones replaces long-time Executive Vice President David Halladay leading the commercial sales effort, while Mr. Cardon will devote his full attention to credit administration and underwriting. Our ability to attract Mr. Jones and Mr. Cardon is a testament to the strong reputation that GRB has built in our local market and demonstrates the great opportunity that is our future.

Residential Mortgage

In 2018 GRB made great progress in positioning the residential mortgage team to accomplish the bank's TAG goal of \$200 million in annual loan originations by the year 2023. Although 2018 volume only matched that of 2017, the team has built strong momentum throughout the fiscal year, recovering from the loss of three high-producing loan originators through production increases across-the-board from our current sales staff.

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Furthermore, we added three capable mortgage loan officers in the fourth quarter of the year who promise to add to our sales momentum. With a bolstered and stable sales team, the bank expects to easily exceed our original 2019 budgeted forecast of \$145 million in loan originations. In addition to resurgent production results, the management changes instituted at the start of the year, including the promotion of Joseph Leone to Mortgage Operations Manager, not only improved efficiency in current operations but also positions the team for scalable growth that will increase the team's contribution to future noninterest income.

Another notable accomplishment in the mortgage business was the successful launch of our mortgage servicing platform. Loan servicing is an important strategic initiative for GRB as it creates a valuable residual noninterest revenue source while the associated database of new prospect leads provides opportunity for GRB's retail banking team to deepen our relationships with hundreds of mortgage clients annually.

Funding

Core deposits, particularly noninterest bearing accounts, are a bank's most attractive funding source. Today, having a robust suite of deposit product offerings such as cash management services and mobile and online banking, matched with a high level customer service are no longer luxuries, but rather necessities.

Consistent with our TAG initiative, over the past two years GRB has

invested heavily in its deposit product offerings and technology. This is an area where we depend heavily on our third-party service partners, particularly Jack Henry and Associates, to provide access to services that keep pace with our larger bank and nonbank competitors.

With a capable cash management platform and relationship driven approach, the commercial and retail banking team led a strong effort in core-deposit gathering in 2018. While tepid asset growth muted the bank's need for total deposit growth (increasing 8% over the prior year), core-deposit growth was robust, rising nearly 16% and averaging 18% over the past five years.

Community Banking. Community Building.

The launch of GRB's TAG initiative included a dynamic marketing campaign launched in the second half of the year. Built around the themes "Community Banking. Community Building." and "Keeping Rochester ROC Solid," the comprehensive video, radio and print campaign kicked off in September and featured prominent placements during network news and major sporting events.

On an ongoing basis, digital marketing placements serve to reinforce GRB's position in the market and will keep GRB top of mind with small business prospects and retail banking and mortgage customers. Reinforcing our commitment to the region remains the bank's marketing and operational focus. As always, we are Here. For You.

GRB's Future

GRB looks forward to 2019 with great confidence as we build on the foundation established through our past success and recent strategic investments. GRB is steadfast in its mission to deliver the best banking experience to the Greater Rochester area and we remain strongly committed to developing partnerships that help our clients grow and support our local community.

Many thanks to all who are part of the GRB team for making our bank a great place to work and a reliable partner with which to do business!

Sincerely,



Philip L. Pecora
President and CEO
Genesee Regional Bank

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Awards and Recognition

GRB was pleased to be recognized by the business community for a number of awards this year, including the Best Companies to Work for in New York, Top 100 company designation by the Greater Rochester Chamber of Commerce and a Gold Award lender from the Small Business Administration.

2018 also saw exciting personal recognitions to GRB employees. Brandon Beardsley, Risk Management Officer, was named to the Rochester Business Journal's 40 Under 40 list and Nicholas Dobberty, Director of Finance, was a member of the 2018 class of the American Bankers Association's Stonier Graduate School of Banking.



Brandon Beardsley
RBJ 40 Under 40



Nicholas Dobberty
ABA Stonier Graduate School
of Banking

Community Involvement

As a local bank with an emphasis on building relationships, an important element of our business model extends beyond banking. Because we're so involved with the local community, we understand that helping to build better lives is just as important as helping to build better businesses. GRB is proud to support many local organizations through donations, event sponsorships, and volunteer hours. We focus our efforts on nonprofits that are our clients, and those with whom GRB's employees and board members are involved.

Our board members lead the way in community involvement and charitable contributions, and truly set the tone for GRB. This sense of community spirit is built into our internal culture and employees are motivated to become engaged. Employees are encouraged to serve on boards and committees and offer volunteer time to groups with whom they share a passion.

In 2018, GRB's Wellness Committee raised more than \$1,500 in employee donations, supporting over 10 different local non-profit organizations. GRB employees also gave their time to countless community volunteer efforts, participating in over 25 events directed by the Wellness Committee.





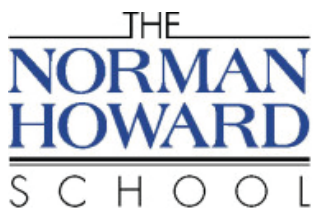
National
Kidney
Foundation™



SPCC
Society for the Protection
& Care of Children



FOREforFOUR™
Charity Golf Tournament



Financial Commentary

Greater Rochester Bancorp, Inc. (the parent company of Genesee Regional Bank) experienced solid financial performance in 2018. Net interest income increased 1.5% over 2017, a key earnings driver for GRB. Assets grew by 5.9% and loans increased by 1.6%, while deposit balances were virtually flat.

Key performance metrics in 2018 remain in line with peer banks. Asset quality continues to be sound and GRB was classified as a “well capitalized bank” in our latest examination. GRB’s capital levels were at an all time high in 2018, ensuring our ability to carry on our mission of Growing Rochester Business. Return on shareholder equity was 10.97% and return on assets was 0.83%. An efficiency ratio of 63.8% compares favorably with peer banks. Earnings per share in 2018 were \$102.08.

Looking forward to 2019, GRB will continue to focus on growing core deposits, building on the success of our residential mortgage banking group, and providing capital to clients in our effort to continue Growing Rochester Business. One of GRB’s strengths is the diversity of its client base, spanning all business sectors from manufacturing and retail to professional services and franchises. Expect to see similar trends in GRB’s commercial banking activities in 2019 with a concentrated focus on attracting core deposit growth and focusing our prospecting efforts on firms that are slightly larger and more sophisticated than those targeted in recent years. In the coming year, GRB will also continue to invest in internal process improvements to position the bank for future growth, ensure that all customers receive a superior level of service, and capture additional efficiencies. GRB is well positioned to continue on a path of healthy growth in 2019.



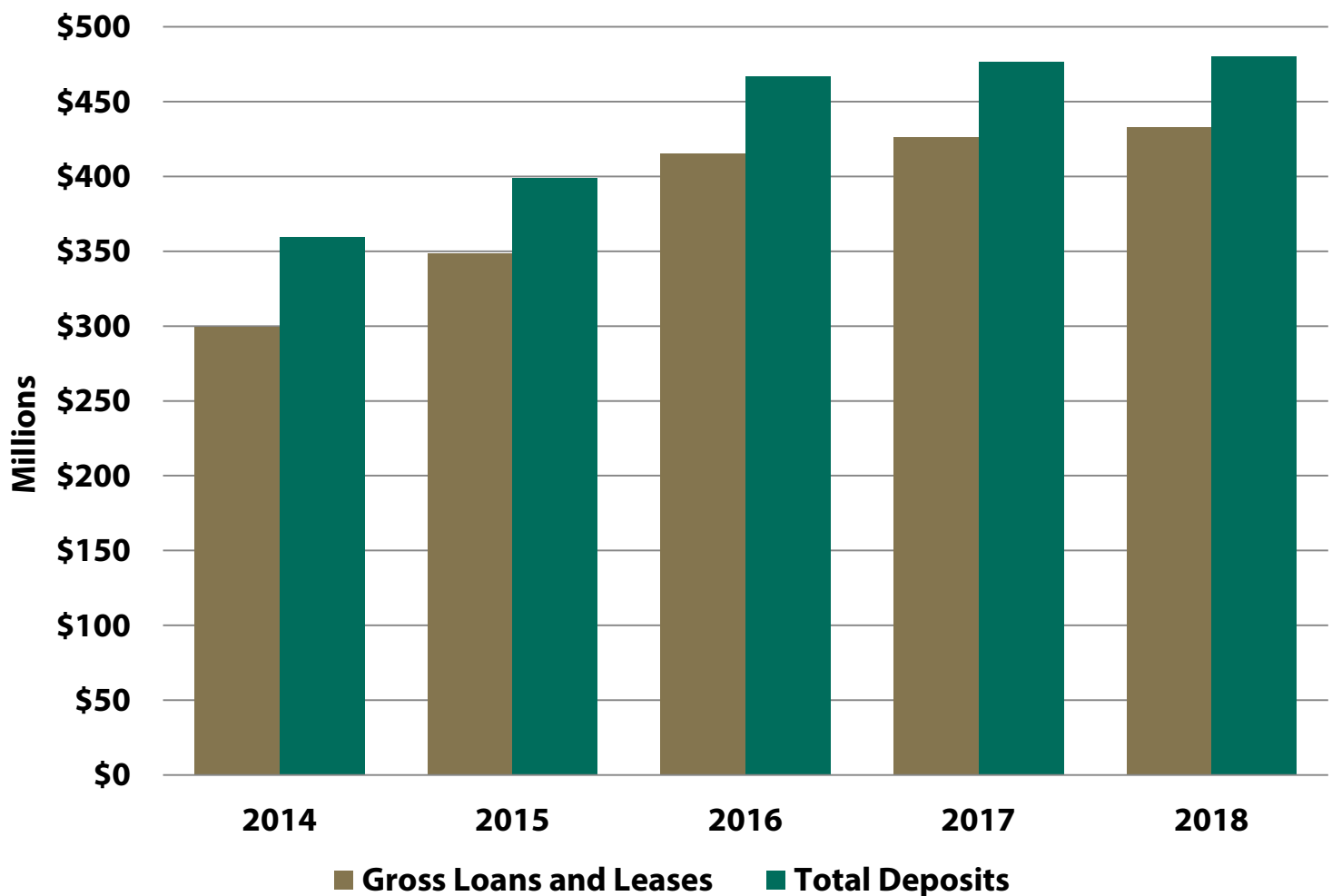
Financial Results

Balance Sheet	12/31/18	12/31/17
Loans	\$433,033,580	\$426,179,642
Allowance for Loan Losses	(\$5,050,623)	(\$5,339,625)
Cash & Due from Banks	\$39,197,586	\$30,249,133
Investments	\$101,349,898	\$89,390,771
Other Assets	\$13,138,669	\$8,641,266
Total Assets	\$581,669,110	\$549,121,187

Deposits	\$480,238,650	\$476,628,303
Borrowings	\$54,971,200	\$29,956,800
Other Liabilities	\$3,042,332	\$2,428,754
Stockholder's equity	\$43,416,928	\$40,107,330
Total Equity/Liabilities	\$581,669,110	\$549,121,187

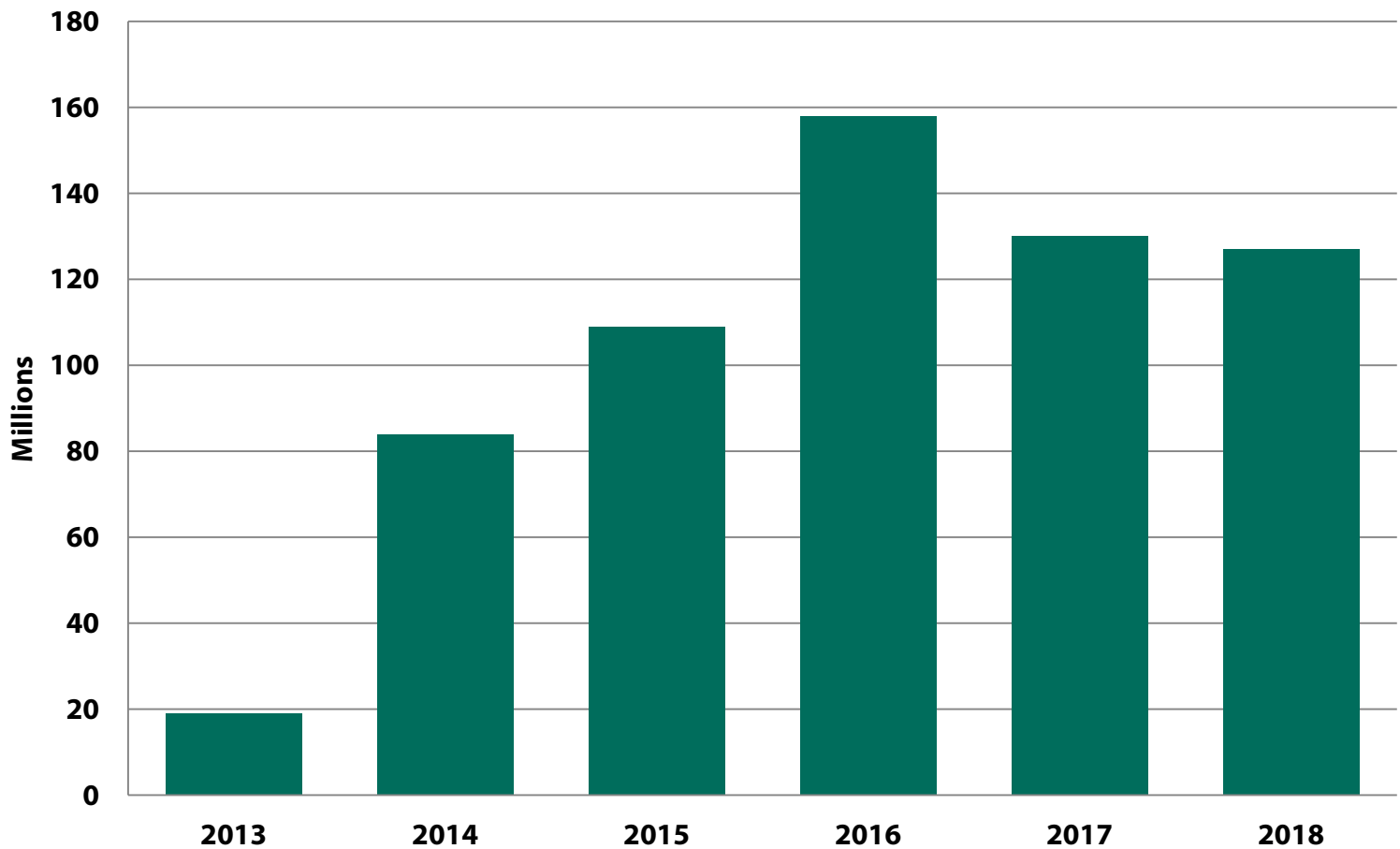
Key Performance Metrics	2018	2017
Return on Assets	0.83%	0.94%
Return on Equity	10.97%	13.65%
Efficiency Ratio	63.80%	58.30%
Earnings per Share	\$102.08	\$113.89

Loan and Deposit Growth



Despite a torrent of M&A activity that resulted in the sale of several client businesses, GRB continued to post loan growth as balances increased by 1.6% and reached more than \$433 million. Overall client deposits also grew by 0.8% to more than \$480 million.

Residential Mortgage Volume



Despite a significantly slower Rochester area real estate market in 2018, GRB originated \$127MM in mortgages that helped our clients buy the homes of their dreams. We expect significant volume increases in 2019 with the addition of new mortgage loan officers and our expansion into the Syracuse market. The residential mortgage division had a successful 2018. Despite a slight reduction in volume, GRB was recognized by the Rochester Business Journal as the fourth largest residential mortgage lender in the region, by volume, for the third consecutive year.



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