



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

Lending stability and new opportunities highlight 2017

GRB has enjoyed steady asset growth over the past decade. The bank's balance sheet expansion is predictable based on our history and the asset generation momentum that we have established through our commercial banking efforts. We do not typically lose customers and the local small business market that we target is extensive, including over 11,000 private



businesses with annual revenues of \$1 to \$20 million (in Monroe County alone). Our residential mortgage and retail banking teams have steadily expanded their services as well, and contributed steady growth year over year.

Overall, GRB's growth has been very positive and we have consistently performed in the highest percentile in terms of Return on Equity and Return on Assets among banks in our region and within our peer group.

Last year, when we prepared GRB's fiscal year 2017 budget, management had good reason to believe that the bank was going to enjoy another year of strong earnings growth. GRB was coming off a record year of financial performance in 2016 with solid contribution from the residential mortgage division that reported loan closings in excess of \$155 million and pre-tax income of \$1.5 million. Meanwhile the core bank was reporting continued steady loan growth and profitability through the efforts of a stable and mature commercial banking team.

Employee Focus

While consistency has been GRB's hallmark, we are not immune to occasional disappointments. In the first quarter of 2017, our residential mortgage team was challenged with a turnover rate that was more than 40% higher than that of the previous year. As a result, production fell short of our original forecast and the mortgage team's contribution to the bank's year-end pre-tax earnings was substantially lower than budget.

Management is sensitive to staff turnover and thus worked diligently to complete a number of new initiatives to eliminate attrition and provide a solid foundation for 2018. An assessment of process and personnel in the mortgage group led to efforts to implement new technology solutions, reorganize the department, hire new staff members, and develop new training and quality assurance programs. By the end of 2017, customer service scores were approaching all-time highs, new mortgage originators who fit GRB's

culture were recruited, and employee satisfaction had improved.

The performance of the commercial banking team also was compromised by sales staff turnover in 2017. Though the staff departures did not have an immediate negative impact on earnings, the disruption did slow loan growth this past year as management's attention was focused on reassigning accounts and training new high-potential relationship managers. The commercial bank also experienced uncharacteristic credit impairments related primarily to a couple large relationships that led us to take a more conservative posture with our allocation to loan loss reserves. Despite these challenges, the bank retained all desired client relationships and ended 2017 with new commercial loan originations in excess of \$100 million. Similar to our residential mortgage initiatives, investments in new technology, staff additions, and new products and services well-position the commercial team for accelerated growth in the second half of 2018.

The Funding Fact

GRB's greatest challenge to maintaining a high asset growth rate is funding. Today, with approximately \$550 million in total assets, GRB sits at a pivotal point in its 22-year history. Over the past 15 years, the bank has grown its asset size more than tenfold, driven primarily through a targeted sales effort focused on our community's small- to mid-sized business market.

(continued)

To strengthen our funding position, we are focused on developing deposit channels that capitalize on our relationship-based selling strengths. Two successful programs that were recently launched include Dental Practice Banking and Municipal Banking.

The results from our Municipal Banking offering have been immediately impactful due to the size of the depository relationships. Since implementing the program in 2015, GRB has generated more than \$125 million in average deposit balances. We are careful not to over-concentrate our deposits in this segment; however the program has proven to be a success.

Meanwhile, our Dental Practice Banking program is growing at a more measured pace. We have attracted a number of new dental practices over the past two years that represent true relationship banking, whereby GRB is the primary financial partner for both business and personal banking. As the relationships in this segment “season,” we expect deposit balances to outpace loans.

Overall, GRB’s 2017 deposit performance was positive. Although total non-time deposit balances declined \$40 million since year-end 2016, total deposits increased \$10 million fueled in part by 1,112 new client accounts. The reduction in non-time deposit account balances was primarily dictated by a shift in large commercial client deposits from GRB money market accounts to CDs due to the increasing interest rate environment.

Five-Year Growth

Given the success of our deposit initiatives, we have been working diligently to model this focused approach in creating GRB’s Tax Act Growth (TAG) initiative. We have developed this important strategy as the launching pad for the bank’s five-year growth initiative to reach \$1 billion in assets and \$200 million in annual residential mortgage production by 2023.

In pursuit of this ambitious goal, commercial banking will continue to be the primary driver of our core balance sheet growth while residential mortgage will continue to be the primary source of the bank’s non-interest income through increased volume driven through expanding referral relationships and the expansion of our sales team. GRB’s retail banking growth will continue to focus on cross-selling efforts to our commercial banking relationships through our Affinity Banking program and expanded product offerings such as Health Savings Accounts. With the enhancement of the bank’s mortgage loan servicing offering expected to be rolled out in the fourth quarter of 2018, our retail team will also strive to convert greater numbers of our residential mortgage customers to GRB depositors.

This surgical focus on the retail banking side is the result of both experience and industry trending. The evolution of retail banking has been strongly influenced by advancing technology that in essence is eliminating the need (or desire) for personal interaction. Further, the competition for retail deposits extends beyond the banking industry, as

non-bank payment platforms are gaining increasing popularity and acceptance.

For this reason, relationship-driven deposits will always be more appealing and will create greater franchise value based on their relative stability and lower cost. As a community bank, the high level of personal service that we provide to our clients compared to our larger competitors is our greatest advantage. But only to those who value it. Cultivating those relationships in a targeted manner is vital to increasing our success in retail banking without instituting costly broad-based marketing campaigns that only serve to deliver a revolving door of short-term customers.

Summary

While 2017 presented some challenges, GRB’s financial performance remained solid in real terms and relative to our peer group, reporting Return on Assets of 0.94% and Return on Equity of 13.65%.

Beyond the numbers, we continue to invest in our team, new products and services, and leading technologies to make GRB an increasingly strong partner to our clients. As a community bank and a small business proudly serving the Greater Rochester Community, we remain steadfastly committed and bullish on the future.

Sincerely,



Philip L. Pecora
President and CEO
Genesee Regional Bank

Board of Directors

Chairman

E. Philip Saunders
President & CEO
Saunders Management Co.

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Billitier Electric, Inc.

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Giovanni LiDestri
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LiDestri Foods, Inc.

Michelle C. Paroda
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Ramsey Constructors

Philip L. Pecora
President & CEO
Genesee Regional Bank

Steven B. Sauer
President
Toshiba Business Solutions, New York

Daniel D. Tessoni, Ph.D., CPA
Assistant Professor
Rochester Institute of Technology



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, a Top Workplace by the "Democrat & Chronicle" and a Silver Award lender from the Small Business Administration.



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 2017, GRB restructured its Community Involvement Committee, creating a new Wellness Committee and expanding the group's charter to include initiatives designed to help employees find work-life balance and offer a variety of ways to contribute to the community.

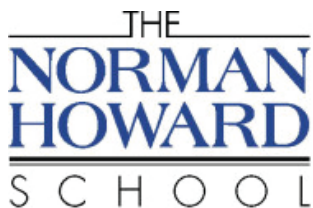




National
Kidney
Foundation™



SPCC
Society for the Protection
& Care of Children



Financial Commentary

Greater Rochester Bancorp, Inc. (the parent company of Genesee Regional Bank) experienced another year with strong financial performance in 2017. Net interest income increased 19.0% over 2016, a key to driving strong earnings for the year. Assets grew by 1.6% while loans increased by 2.6%. These funding requirements were met by deposit growth of 2.0%.

Key performance metrics in 2017 generally remain in line with or ahead of peer banks. Asset quality continues to be strong and GRB was classified as a “well capitalized bank” in our latest financial audit. Return on shareholder equity was 13.65% and return on assets was 0.94%. An efficiency ratio of 61.8% compares favorably with peer banks and was improved from 2016. Earnings per share in 2017 were \$113.89.

Looking forward to 2018, GRB will continue to focus on growing core deposits, building on the success of the residential mortgage banking department and providing capital to clients in our effort to continue Growing Rochester Business. One of GRB’s strengths is the diversity of its portfolio, spanning all business types from manufacturing and retail to professional services and franchises. Expect to see similar trends in GRB’s commercial banking activities in 2018 with a concentrated focus on attracting core deposit growth. 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 2018.



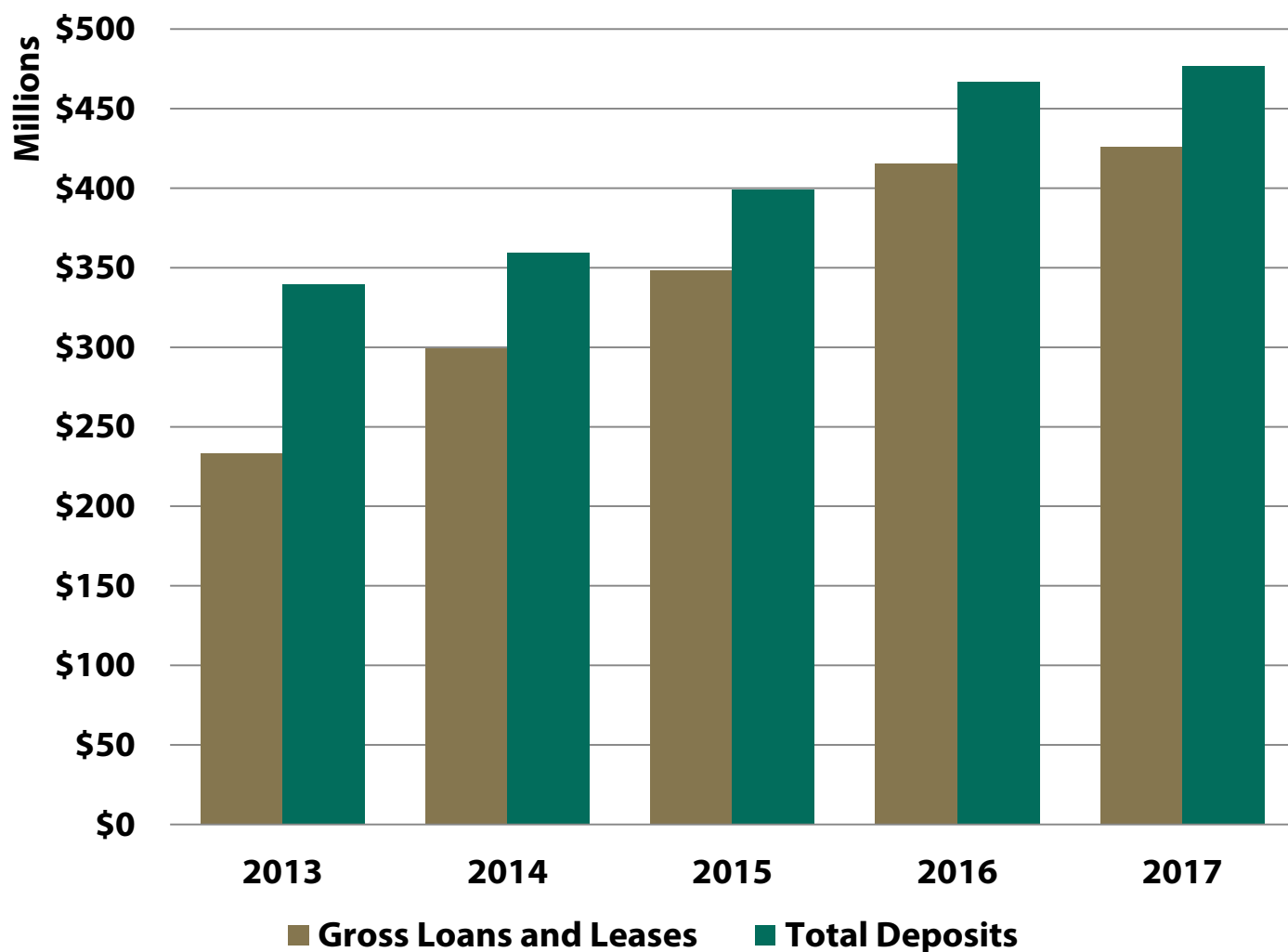
Financial Results

Balance Sheet	12/31/17	12/31/16
Loans	\$426,179,642	\$415,402,195
Allowance for Loan Losses	(\$5,339,625)	(\$4,404,099)
Cash & Due from Banks	\$27,309,133	\$24,938,417
Investments	\$89,390,771	\$90,791,640
Other Assets	\$11,581,266	\$13,540,892
Total Assets	\$549,121,187	\$540,269,045

Deposits	\$476,628,303	\$467,123,028
Borrowings	\$29,956,800	\$34,946,350
Other Liabilities	\$2,428,754	\$2,753,743
Stockholder's Equity	\$40,107,330	\$35,445,924
Total Equity/Liabilities	\$549,121,187	\$540,269,045

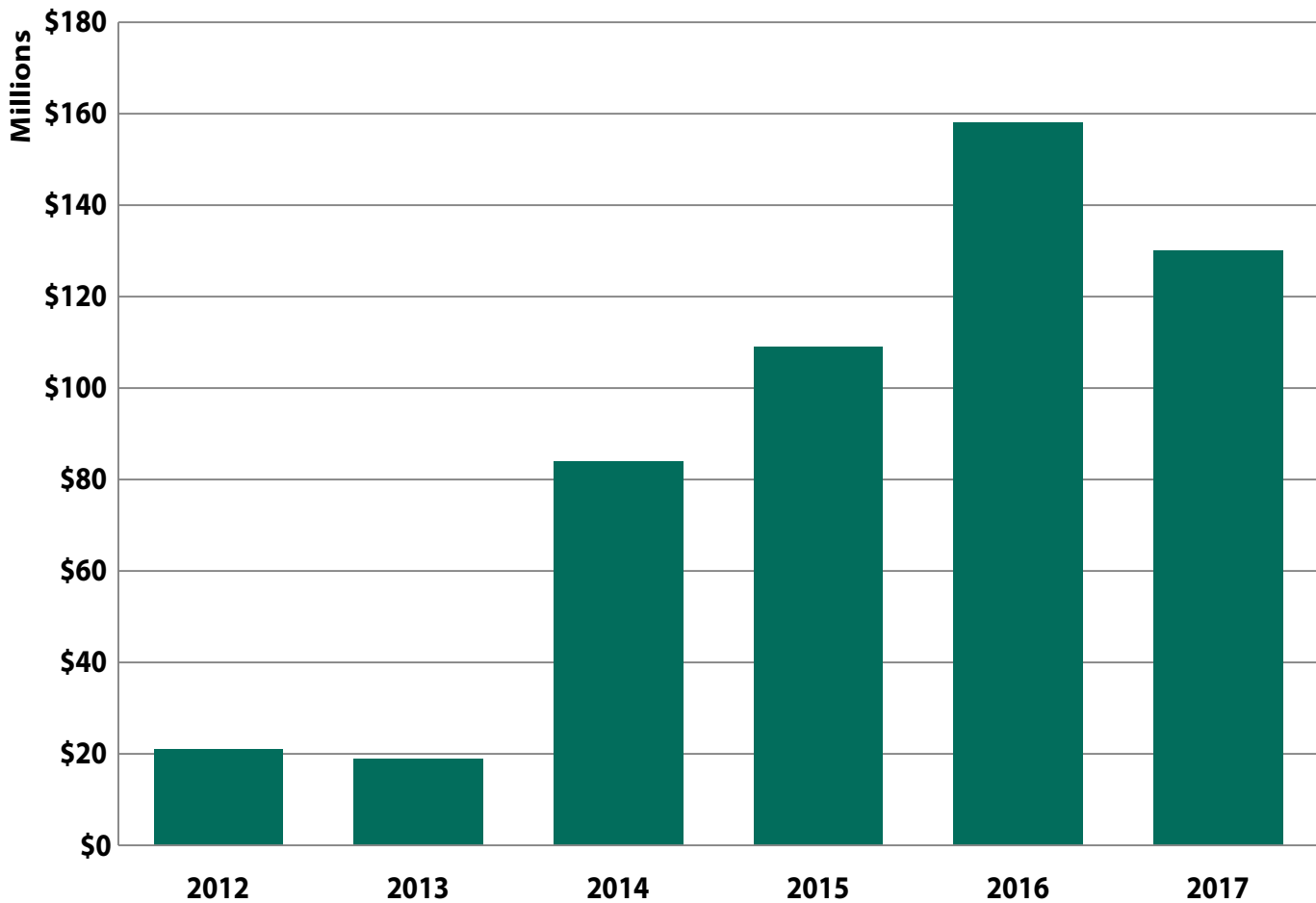
Key Performance Metrics	2017	2016
Return on Assets	0.94%	1.12%
Return on Equity	13.65%	16.65%
Efficiency Ratio	61.8%	63.1%
Earnings per Share	\$113.89	\$120.65

Loan and Deposit Growth



GRB continued to experience substantial loan growth as balances increased by 2.6% and reached more than \$426 million. Overall deposits also grew by 2.0% to more than \$476 million.

Residential Mortgage Volume



The residential mortgage division had a successful 2017. Despite a reduction in volume, GRB Mortgage was recognized by the "Rochester Business Journal" as the fourth largest residential mortgage lender in the region, by volume, for the second consecutive year.

Bank Officers

As of 12/31/2017

Senior Management

Philip Pecora, President & CEO
David Halladay, Chief Lending Officer
Paul Keenan, Retail Banking Manager
Allana Lazeroff, Chief Operating Officer
Michael Pulver, Residential Mortgage Manager
Gary Schwingel, Chief Financial Officer

Commercial Banking

Kirstin Benwitz, Cash Management Specialist
Alexander Broccuto II, Commercial Relationship Manager
David Cushman, Sr. Professional Practice Relationship Manager
Cathy Doran, Commercial Services Manager
Aaron Fehnel, Credit Administration Manager
Courtney Ferenchak, Collateral & Documentation Team Lead
Kevin Flanagan, Commercial Credit Manager
Salavatore Gueli, Commercial Banking Team Leader
Michael Hallman, Commercial Relationship Manager
Mark Hogan, Portfolio Manager
Denis Jeffries, Commercial Relationship Manager
Maurice McKenzie, Commercial Banking Team Lead
Patrick Murray, Commercial Banking Team Leader
Raymond Pettine, Commercial Relationship Manager
Nicole Wilkins, Commercial Relationship Associate Team Lead

Retail Banking

Lida Kalantari, Community Relationship Manager
Christopher Kiley, Community Relationship Manager
Linda Makowiecki, Branch Manager
Kelly Smith, Senior Retail Relationship Manager

Administrative/Operations

Brandon Beardsley, Risk Management Officer
Catriona Bonenfant, Internal Audit Director
Nicholas Dobbertin, Director of Finance
Christine Fell, Compliance Officer
Audrey Fletcher, Human Resources Manager
Bethany Martin, Deposit Operations Team Leader
Stacey Michaels, Marketing Director
Deanna Moore, IT/Network Manager
Russ Munroe, Bank Operations Manager
Ami Panipinto, Loan Servicing Team Leader
Heather Porter, Director of Project Management
Anne Siconolfi, Financial Operations Manager

Mortgage

Bridget Campbell, Sr. Mortgage Operations Manager
Brandon McKay, Secondary Market Manager
John Milano, Mortgage Loan Originator
Christopher Stevens, Residential Mortgage & Secondary Manager





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