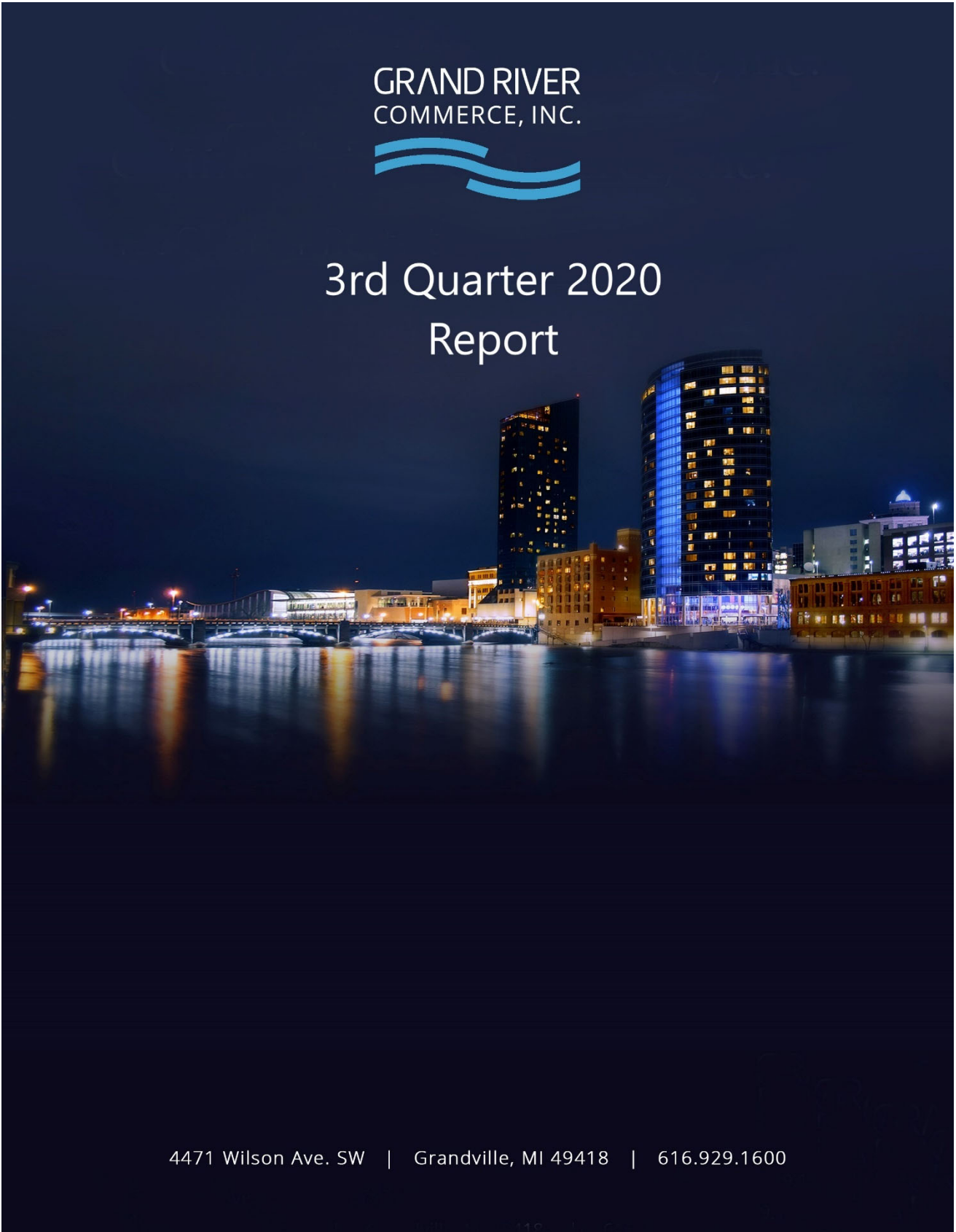


GRAND RIVER
COMMERCE, INC.



3rd Quarter 2020 Report



4471 Wilson Ave. SW | Grandville, MI 49418 | 616.929.1600

To Our Shareholders:

The unaudited consolidated financial statements for Grand River Commerce, Inc. (“Company”) and its subsidiary, Grand River Bank (“Bank”), for the nine-month period ended September 30, 2020 are presented for your review.

The ongoing pandemic continues to impact our operation and appears likely to do so for the foreseeable future. While considerable uncertainty remains and much continues to be beyond our control, the near-term picture is a bit clearer than it was at the end of the second quarter.

Thanks to the skill of our team and the thoroughness of our previously-prepared pandemic plan, we’ve successfully and smoothly adopted an operating model that features both remote and in-facility components. Those changes have been well-received by our customers and team members. We remain in constant contact with our customers, particularly those in the commercial, nonprofit and governmental sectors and are finding that they too, have a better sense for the impact of COVID upon their current and anticipated operating results.

As we’ll detail in this letter, our performance, despite pandemic-related disruptions and substantive supplemental allocations to our loan loss reserve, continues to track favorably with our pre-COVID forecast. As we noted following the second quarter, we cannot fully quantify events that are both unprecedented and that continue to unfold. Based, however, upon our overall performance and reports from our customers, we are cautiously optimistic, while acknowledging that situations can change quickly.

As of September 30, 2020, total assets of the Company stood at \$455 million, an increase of \$134 million, or 56% annualized, over year-end 2019. As is typical, the majority of the increase was attributable to loan growth. For the period, total loans grew \$82.6 million, or 38% annualized. This includes \$62.2 million in PPP loans. Correspondingly, total deposits grew by \$99.3 million, or 49% annualized. This growth consists of a significant increase in new banking relationships, expansion of existing relationships, and PPP loan proceeds.

Asset quality at quarter-end remained historically strong, with no non-performing loans, no chargeoffs and negligible delinquency. We continue to rigorously monitor our portfolio and communicate frequently with our customers. Encouragingly, many of our commercial customers continue to report high demand for their products and services and are performing well. Nearly all borrowers that had requested relief in the form of interest-only or deferred payments early in the pandemic have transitioned back to normal contractual payments. Stress continues to be evident within the hospitality industry, but our exposure to that sector is minimal and largely supported by guarantees from the U.S. Small Business Administration. Despite the absence of performance issues within our portfolio, we believe that overall economic conditions remain sufficiently uncertain to justify our increased loan loss reserve allocation. At quarter-end, our allowance stood at 1.50% (net of fully guaranteed PPP loans), compared to 1.10% at year-end 2019. On a gross basis, the allowance was 1.25% as of September 30, 2020.

For the nine-month period, the Bank and the Company reported pre-tax net income of \$2,856,000 and \$2,617,000, respectively. The Company’s pre-tax/pre-provision income of \$4,092,000 compared favorably to third-quarter 2019 pre-tax/pre-provision income of \$1,767,000.

Net interest income increased \$1,817,000 year-over-year, again driven by loan growth, pre-payment penalties as borrowers sought refinances to lower rates and recognition of PPP-related loan fee income, which is being recognized per ASC 310-20 rules. As a result of the previously-mentioned adjustments, loan loss provision expense increased \$1,095,000 year over year. Pervasively low interest rates continue to impact both sides of the balance sheet, resulting in overall reductions in both earning asset yields and the cost of funds.

Non-interest income increased \$1,527,000, or 180% over the comparable year-ago period. The increase was again primarily attributable to gains resulting from the sale of residential mortgages. As has been the case throughout this year, mortgage production and the associated revenue remain at record levels. We carefully monitor our loan origination mix and are comfortable that our purchase, refinance and construction volumes are proportionate with our strategic objectives and overall market activity. Assuming no further significant market disruptions and sufficient inventory, we anticipate continued strong mortgage volume and associated revenue through at least the balance of this year.

For the nine-month period, non-interest expense increased \$1,019,000, or 17.2%. The increase was due to pre-planned and previously-disclosed investments in team members and systems critical to continued growth in deposits, loans and related revenue.

Maintaining capital ratios that meet or exceed the regulatory definition of well-capitalized remains a priority. As has been the case since its inception, the Bank again met those requirements as of September 30, 2020. To support the Bank's continued growth and fulfilling its role as a source of financial strength the Company injected \$3,000,000 of additional capital during the 3rd quarter. Subsequent to September 30, 2020, the Company completed an \$8.25 million subordinated debt offering. Proceeds from the offering are expected to support growth needs of the Bank and the Company and provide a cushion for the Company in the event of worsening pandemic-related economic stress.

Universally, the pandemic continues to test our infrastructure, our resolve and our character. Our team members continue to perform heroically, to be financial first responders and to provide critical economic lifelines to those we serve. They're the foundation for our strong performance and they make it possible for us to operate successfully in a uniquely-challenging environment. They represent banking - and community banking, in particular - at its finest. We're exceptionally grateful to each of them for being on our team and we're extremely proud of all that they're accomplishing.

Our financial results are also available via the Investor Relations section of our website, www.grandriverbank.com. We encourage you to use this comprehensive resource to track our performance and to gain valuable information about your investment in our Company.

We'll continue to fulfill our commitment to all who depend upon us. In the process, we remain grateful for your investment in our Company and your support of our continued mission.

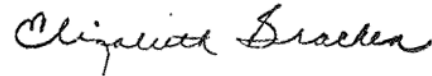
Sincerely,



Robert P. Bilotti
Chairman, President & CEO
Grand River Commerce, Inc.
(616) 929-1600
robert.bilotti@grandriverbank.com



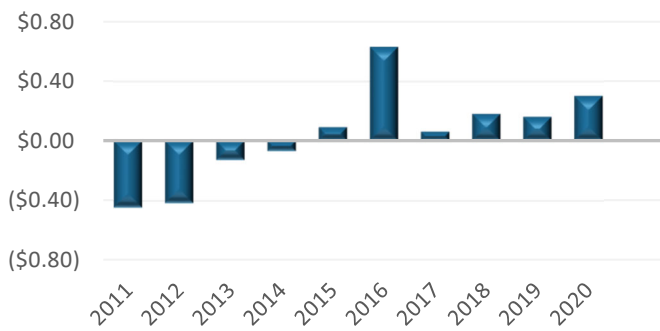
Patrick K. Gill
CEO
Grand River Bank
(616) 929-1611
pat.gill@grandriverbank.com



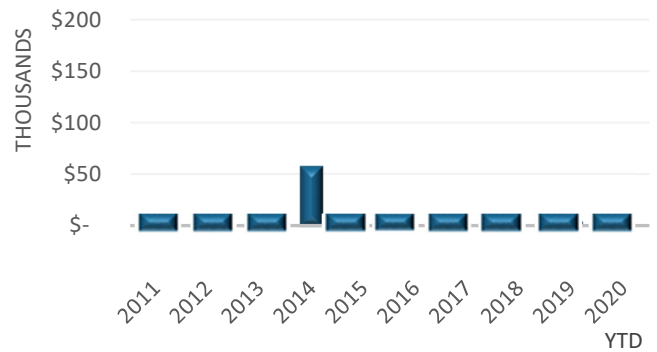
Elizabeth C. Bracken
President & COO
Grand River Bank
(616) 929-1600
liz.bracken@grandriverbank.com

Performance Snapshots

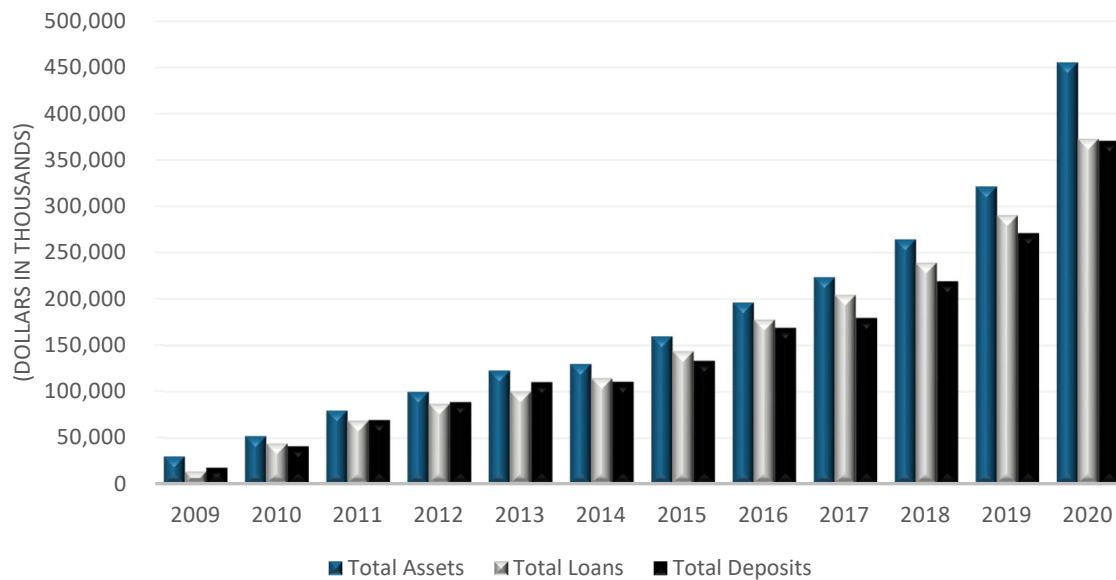
Earnings Per Share



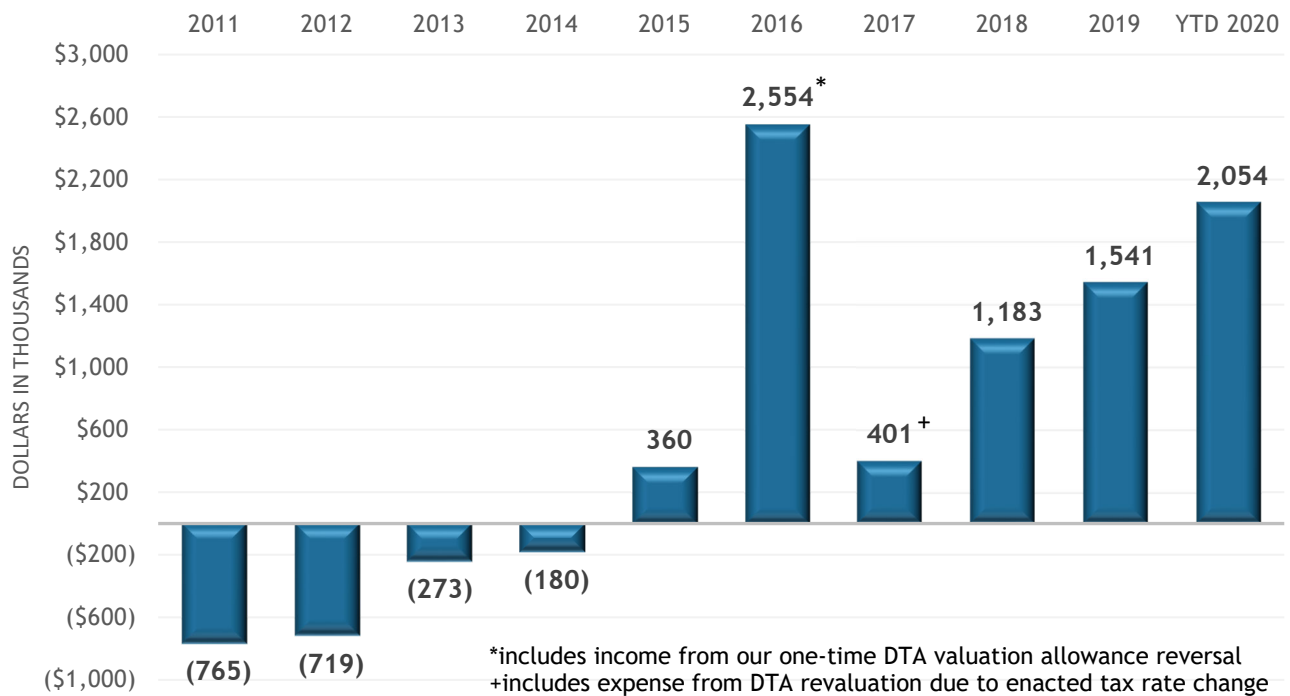
Net Charge-offs



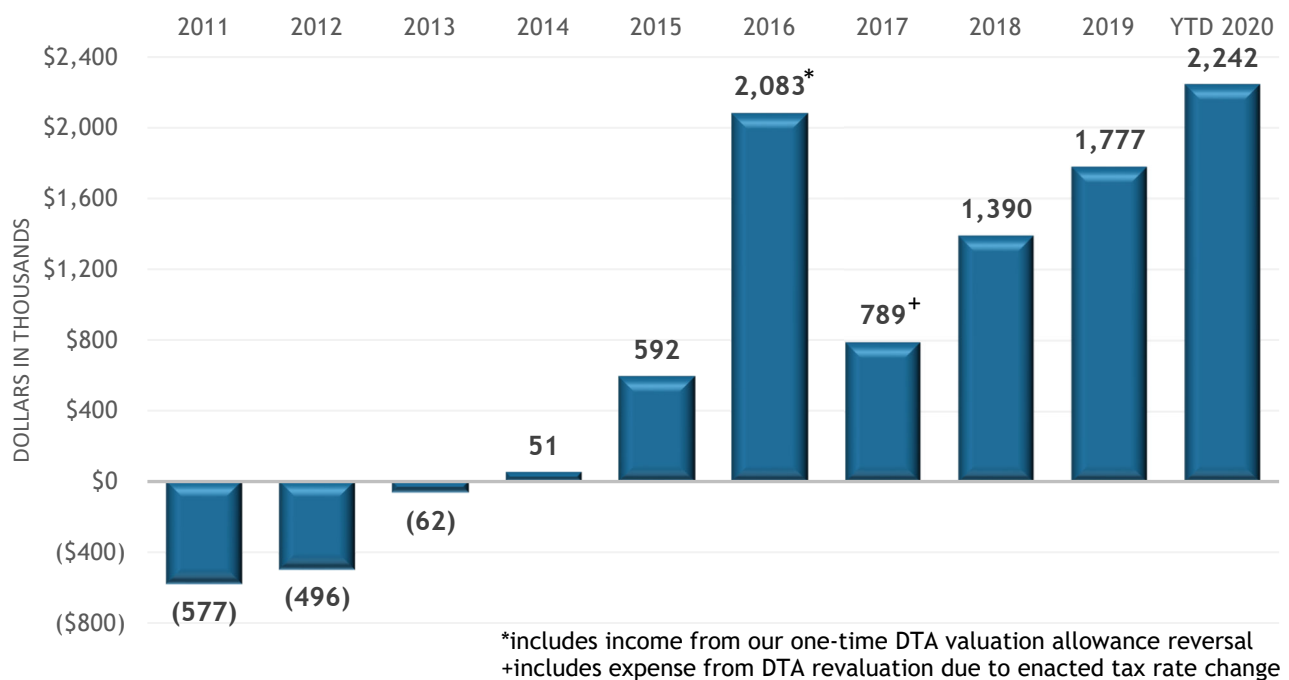
Continued Growth



Consolidated Net Income (Loss)



Bank Only Net Income (Loss)



Grand River Commerce, Inc.

Selected Financial Data*

For the nine months ended September 30,

For the year ended December 31,

	2020	2019	2018	2017	2016	2015
(dollars in thousands, except share data)						
Summary Income Statement Data:						
Total interest income	\$ 11,255	\$ 13,189	\$ 10,415	\$ 8,477	\$ 7,219	\$ 5,865
Total interest expense	2,881	4,300	2,434	1,510	1,236	911
Net interest income	8,374	8,889	7,981	6,967	5,983	4,954
Provision for loan losses	1,476	536	273	242	366	336
Non-interest income	2,658	1,789	679	1,012	1,734	1,065
Non-interest expense	6,939	8,177	6,881	6,406	6,465	5,323
Income (loss) before income taxes	2,617	1,965	1,506	1,331	886	360
Income tax expense	563	424	323	930	(1,668)	-
Net income (loss)	2,054	1,541	1,183	401	2,554	360
Pre-provision / Pre-tax income	4,093	2,501	1,779	1,573	1,252	696
Per Share Income Data:						
Shares outstanding - ending	6,733,809	6,733,809	6,713,809	6,703,809	4,067,628	4,067,628
Shares outstanding - average	6,733,809	6,727,211	6,707,220	6,468,597	4,067,628	4,018,844
Shares outstanding - diluted average	7,079,109	7,072,511	7,095,261	6,885,897	-	-
Earnings per common share	\$ 0.30	\$ 0.23	\$ 0.18	\$ 0.06	\$ 0.63	\$ 0.09
Earnings per share diluted	\$ 0.29	\$ 0.22	\$ 0.17	\$ 0.06	-	-
Cash dividends per share	-	-	-	-	-	-
Share market high / low YTD	4.20-6.35	5.70-8.10	5.85 - 6.50	5.27 - 6.20	4.75 - 6.20	4.37 - 8.00
Closing share price	4.95	5.75	6.24	5.93	6.00	5.50
Book value per share	6.13	5.81	5.55	5.37	5.43	4.79
Tangible book value per share	5.97	5.70	5.46	5.26	5.02	4.79
Share price to book	81%	99%	112%	110%	110%	115%
Selected Balance Sheet Data:						
Total assets	\$ 455,211	\$ 321,326	\$ 264,321	\$ 223,452	\$ 196,158	\$ 159,734
Loans, net of allowance for loan losses	367,877	286,723	236,062	201,543	175,018	141,404
Memo: Paycheck Protection Program Loans	62,222	-	-	-	-	-
Total deposits	370,302	270,962	218,914	179,461	168,666	132,995
Shareholder's equity	41,276	39,104	37,277	36,025	22,091	19,482
Asset Quality Data:						
Nonperforming Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NPAs/ Assets	0%	0%	0%	0%	0%	0%
NPAs & 90+ PD/ Assets	0%	0%	0%	0%	0%	0%
Nonaccrual & 90+ & OREO/ Assets	0%	0%	0%	0%	0%	0%
NCOs/ Avg Loans	0%	0%	0%	0%	0%	0%
Loan Loss Reserves/ Gross Loans	1.25%	1.10%	1.10%	1.16%	1.19%	1.20%
Performance Ratios:						
Return on average shareholder's equity	6.86%	4.04%	3.24%	1.23%	12.03%	1.89%
Return on average assets	0.73%	0.52%	0.49%	0.19%	1.39%	0.25%
Avg. shareholders' equity to avg. assets	10.60%	12.91%	15.09%	15.47%	11.57%	13.07%
Asset Growth Rate Annualized	56%	22%	18%	14%	23%	23%
Efficiency ratio	62.90%	76.58%	79.46%	80.29%	83.78%	88.44%
Bank Regulatory Capital Ratios:						
Common equity tier 1 capital ratio	12.50%	11.28%	11.21%	12.70%	11.37%	0.10
Tier 1 leverage capital ratio	9.91%	10.50%	10.48%	11.46%	10.10%	9.57%
Tier 1 risk-based capital ratio	12.50%	11.28%	11.21%	12.70%	11.37%	10.30%
Total risk-based capital ratio	13.75%	12.33%	12.29%	13.87%	12.59%	11.51%
Capital Buffer	5.75%	4.33%	4.29%	5.87%	4.59%	n/a
YTD average assets	\$ 376,582	\$ 295,619	\$ 242,043	\$ 211,015	\$ 183,558	\$ 145,752
YTD average equity	\$ 39,909	\$ 38,178	\$ 36,523	\$ 32,649	\$ 21,235	\$ 19,054

*Source: 2020 unaudited; 2019: condensed from audited financial statements.

Balance Sheet*
Grand River Commerce, Inc.

	9/30/2020	12/31/2019	\$ Change
Assets			
Cash and due from banks	\$ 69,244	\$ 20,961	\$ 48,283
Federal funds sold	41	129	(88)
Total Cash and Cash Equivalents	<u>69,285</u>	<u>21,090</u>	48,195
Securities, available for sale	4,465	5,631	(1,166)
FHLB & FRB stock, at cost	1,398	1,398	-
Loans held for sale	8,795	4,018	4,777
Paycheck Protection Program Loans	62,222	-	62,222
All Other Loans	310,306	289,898	20,408
Less: allowance for loan losses	4,651	3,175	1,476
Net Loans	<u>367,877</u>	<u>286,723</u>	81,154
Premises and equipment, net	601	456	145
DTA, net	1,089	738	351
Interest receivable and other assets	1,701	1,272	429
Total assets	\$ 455,211	\$ 321,326	\$ 133,885
Liabilities			
Non-interest bearing deposits	100,292	49,872	50,420
Interest bearing deposits	270,010	221,090	48,920
Total Deposits	<u>370,302</u>	<u>270,962</u>	99,340
FHLB borrowings	10,500	10,500	-
Fed Funds Purchased & Other Borrowings	31,941	-	31,941
Interest payable and other liabilities	1,192	760	432
Total liabilities	<u>413,935</u>	<u>282,222</u>	131,713
Equity			
Common stock	67	67	-
Additional paid-in capital	38,128	38,109	19
Additional paid-in capital Warrants	1,199	1,199	-
Retained Earnings(Accumulated deficit)	1,702	(352)	2,054
Accumulated other comprehensive income(loss)	180	81	99
Total equity	<u>41,276</u>	<u>39,104</u>	2,172
Total liabilities and equity	\$ 455,211	\$ 321,326	\$ 133,885

*Source: 2020 unaudited; 2019: condensed from audited financial statements.

Statement of Operations*
Grand River Commerce, Inc.

	YTD 9/30/2020	YTD 9/30/2019	\$ Change
Interest Income			
Loans, including fees	\$ 11,041	\$ 9,200	\$ 1,841
Securities	145	163	(18)
Federal funds sold and other income	69	290	(221)
Total interest income	11,255	9,653	1,602
Interest Expense			
Deposits	2,659	2,932	(273)
Borrowings	222	164	58
Total interest expense	2,881	3,096	(215)
Net interest income			
	8,374	6,557	1,817
Provision for loan losses	1,476	381	1,095
Net interest income after provision for loan losses			
	6,898	6,176	722
Non-interest income			
Service charges and other fees	25	26	(1)
Gain on sale of loans	2,208	757	1,451
Other income	425	348	77
Total non-interest income	2,658	1,131	1,527
Non-interest expense			
Salaries and benefits	4,877	4,101	776
Occupancy & equipment expense	396	371	25
Data processing & computer support	197	167	30
Professional Services	400	365	35
Insurance	238	141	97
Software	228	167	61
Other	603	609	(6)
Total non-interest expense	6,939	5,921	1,019
Income before taxes			
	\$ 2,617	\$ 1,386	\$ 1,230
Income tax expense	563	299	264
Net income			
	\$ 2,054	\$ 1,087	\$ 966

*Source: 2020 unaudited; 2019: condensed from audited financial statements.