



GRAND RIVER
COMMERCE, INC.



FINANCIAL STATEMENT

Quarter Ending
September 30, 2021

To our valued shareholders:

We are pleased to present 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, 2021.

The third quarter of the year produced excellent overall performance, with continued growth in all operational areas. Despite contending with persistent supply chain disruptions, West Michigan’s business environment remains generally healthy, as reflected by continued demand for commercial loans and related services. Within the constraints imposed by inventory and capacity considerations, the residential real estate market continues to be active as well, resulting in sustained construction and purchase loan volume. Based upon the Company’s year-to-date results, our assessment of the local economy and the strength of our team, we remain optimistic about our full-year performance.

As of September 30, 2021, total assets of the Company stood at \$497 million, an increase of approximately \$45 million from year-end 2020. Year-to-date loan growth has been impacted by the forgiveness of Paycheck Protection Program (PPP) loans. Approximately \$68 million in PPP balances were forgiven over the first nine months of the year, including \$49 million of balances outstanding as of December 31, 2020. Excluding PPP, our core loan portfolio has grown nearly \$40 million this year. An active participant in round one of PPP, the Bank also participated in round two, generating an additional 209 loans totaling \$31.2 million. Excess cash reserves were used to fund loans and invested in available-for-sale securities.

Asset quality at quarter-end remained exceptionally strong, with no charge-offs, negligible delinquency and one well-managed non-performing loan relationship. As has always been our practice, we continue to rigorously monitor our overall portfolio and communicate frequently with our customers. The majority of our commercial customers continue to report high demand for their products and services and are performing well, with many posting record revenue and earnings.

At the outset of the pandemic, and in accordance with regulatory guidelines, we made interest-only or deferred payments available to a number of our customers. Most of the borrowers who took advantage were commercial customers and substantially all have now successfully transitioned back to their contractual payment schedules. The hospitality industry continues to experience some stress, but our exposure to that sector is minimal and largely supported by guarantees from the U.S. Small Business Administration. At quarter-end, our allowance for loan losses stood at 1.34%, compared to 1.49% at year-end (both figures are net of fully guaranteed PPP loans). This decrease is reflective primarily of continued improvement in the economic indicators that factor into the allowance calculation. Those strengthening indicators favorably impacted the calculation, resulting in a lower provision expense despite growth in the portfolio. On a gross basis, the allowance was 1.31% at September 30, 2021. The reduced allowance percentage accounts for approximately \$546,000 in net income.

The Company and the Bank reported pre-tax net income of \$3,730,000 and \$4,391,000, respectively, as of September 30, 2021. Excluding the previously mentioned change in provision expense resulting from improved economic indicators, pre-tax income for the Company is up 43%

compared to the same period last year. Pre-tax/pre-provision Company income is down approximately 5% year over year due to increased non-interest expense.

Net interest income increased \$1,717,000, or 21%, year-over-year. Key contributing factors were reduction in interest expense, growth in earning assets and the recognition of PPP-related loan fee income, which, in accordance with accounting standards, is being recognized over the life of the loans. 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 is essentially equivalent to last year. Record residential mortgage loan production revenue has been offset by decreased commercial banking fees, primarily resulting from lower-than-anticipated income from interest rate swap transactions. While mortgage volume has been very strong in 2021, fluctuating interest rates and a continuing imbalance between buyer demand and homes available for sale may have a dampening effect on both the market and the possible contribution from our mortgage unit in future reporting periods.

Non-interest expense increased \$1,922,000, or 27.7%, year-over-year. Approximately \$390,000 of the increase is the result of deferred salaries and benefit expenses related to the first round of PPP lending in 2020. As with PPP-related fee income, origination costs are also recognized over the lives of the loans. The year-over-year variance reflects both the lower loan volume and the lower origination cost per loan for round two of PPP activity in 2021. Net of these PPP-related expenses, the year-over-year increase was 22%. The remainder of the increase is attributable to pre-planned expenditures for critical operating systems, technology enhancements and judicious team member additions to support continued growth and profitability.

Maintaining capital ratios that meet or exceed the regulatory definition of well-capitalized continues to be a priority. As has been the case since its inception, the Bank again met those requirements as of September 30, 2021. The Company also holds reserves that can further support the growth of the Bank and the Company and provide a cushion in the event of worsening economic stress.

Our new office, located at 50 Crahen Avenue, N.E. in the Ada/Cascade area, continues to meet our expectations. Opened in January, this impressive new facility, which appears on the cover of this report, allows us to more effectively serve our growing customer population and enhances our visibility in this important market.

Our brand of community banking is relationship-based and personally delivered, and our team members are integral to our success. We're very proud of the forward-thinking, problem-solving orientation of our growing team. We continue to attract the best and brightest financial professionals in West Michigan, individuals who are uniquely committed to meeting the needs of those we serve. Each day, they collectively reinforce our culture of optimism and achievement. We're deeply grateful to our exceptional team members for their unselfish and unrelenting efforts to provide support, reassurance and resources for all who depend upon our Bank to be their trusted financial partner.

Our financial results are always 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 remain

committed to taking full advantage of our many opportunities, pleased with our overall trajectory and confident in our future. Thank you for your investment and your support.

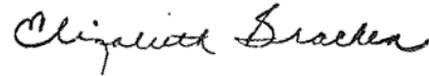
Sincerely,



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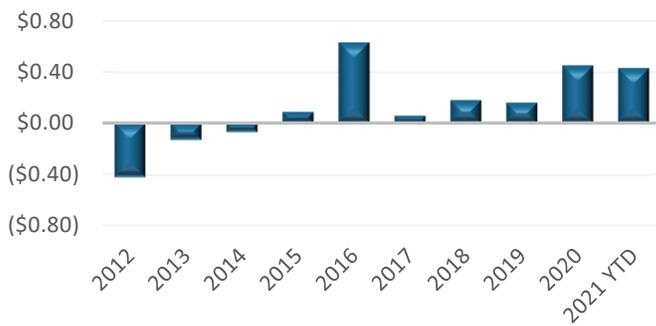
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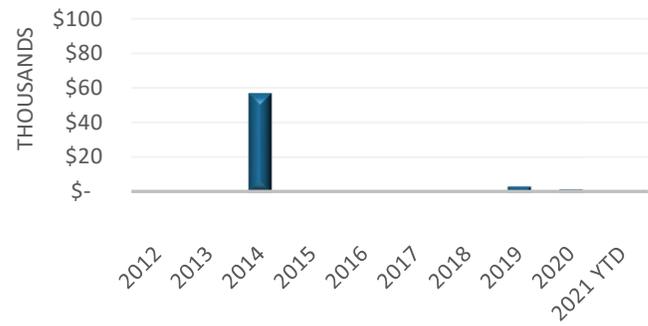
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Performance Snapshots

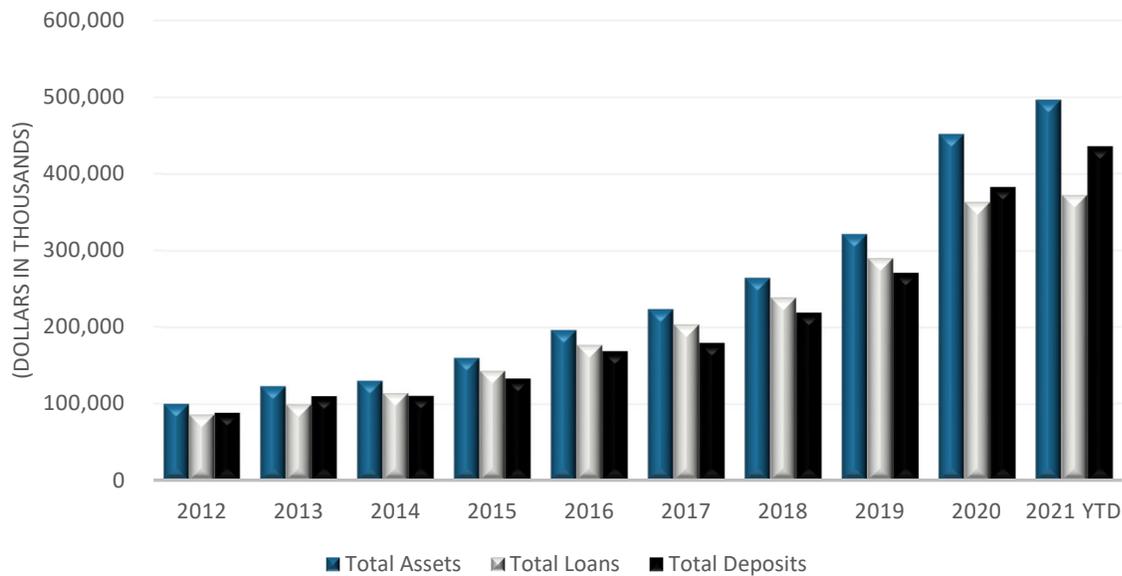
Earnings Per Share



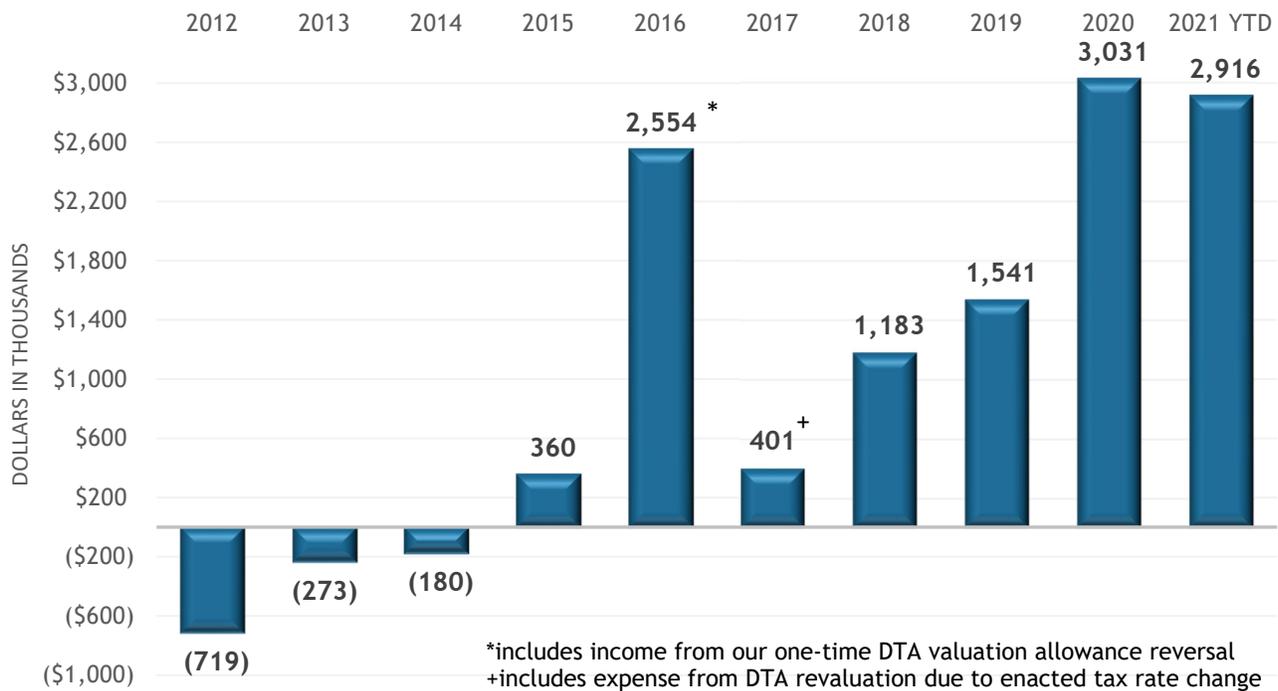
Net Charge-offs



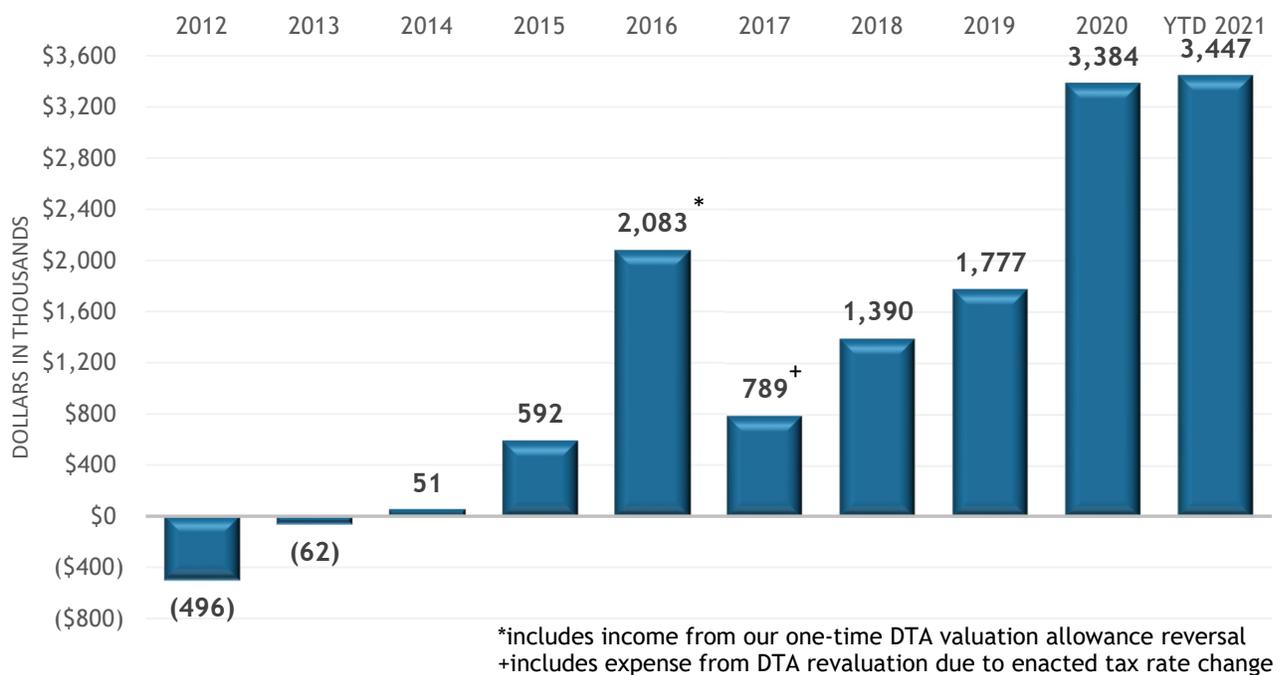
Continued Growth



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,

	2021	2020	2019	2018	2017	2016
(dollars in thousands, except share data)						
Summary Income Statement Data:						
Total interest income	\$ 12,067	\$ 15,085	\$ 13,189	\$ 10,415	\$ 8,477	\$ 7,219
Total interest expense	1,976	3,859	4,300	2,434	1,510	1,236
Net interest income	10,091	11,226	8,889	7,981	6,967	5,983
Provision for loan losses	160	1,531	536	273	242	366
Non-interest income	2,660	4,314	1,789	679	1,012	1,734
Non-interest expense	8,861	10,136	8,177	6,881	6,406	6,465
Income (loss) before income taxes	3,730	3,873	1,965	1,506	1,331	886
Income tax expense	814	842	424	323	930	(1,668)
Net income (loss)	2,916	3,031	1,541	1,183	401	2,554
Pre-provision / Pre-tax income	3,890	5,404	2,501	1,779	1,573	1,252
Per Share Income Data:						
Shares outstanding - ending	6,750,962	6,731,809	6,733,809	6,713,809	6,703,809	4,067,628
Shares outstanding - average	6,748,332	6,733,633	6,727,211	6,707,220	6,468,597	4,067,628
Shares outstanding - diluted average	7,093,632	7,078,933	7,072,511	7,095,261	6,885,897	-
Earnings per common share	\$ 0.43	\$ 0.45	\$ 0.23	\$ 0.18	\$ 0.06	\$ 0.63
Cash dividends per share	-	-	-	-	-	-
Share market high / low YTD	5.05-7.75	4.20-6.35	5.70-8.10	5.85 - 6.50	5.27 - 6.20	4.75 - 6.20
Closing share price	7.30	5.05	5.75	6.24	5.93	6.00
Book value per share	6.67	6.28	5.81	5.55	5.37	5.43
Tangible book value per share	6.67	6.09	5.70	5.46	5.26	5.02
Share price to book	109%	80%	99%	112%	110%	110%
Selected Balance Sheet Data:						
Total assets	\$ 496,878	\$ 451,919	\$ 321,326	\$ 264,321	\$ 223,452	\$ 196,158
Loans, net of allowance for loan losses	367,711	358,500	286,723	236,062	201,543	175,018
Memo: Paycheck Protection Program Loans (Net of Unearned Fees and Costs)	11,629	47,286	-	-	-	-
Total deposits	435,869	382,864	270,962	218,914	179,461	168,666
Shareholder's equity	45,057	42,244	39,104	37,277	36,025	22,091
Bank Asset Quality Data:						
Nonperforming Assets	\$ 1,327	\$ -	\$ -	\$ -	\$ -	\$ -
NPAs/ Assets	0.3%	0%	0%	0%	0%	0%
NPAs & 90+ PD/ Assets	0.3%	0%	0%	0%	0%	0%
Nonaccrual & 90+ & OREO/ Assets	0.0%	0%	0%	0%	0%	0%
NCOs/ Avg Loans	0.0%	0%	0%	0%	0%	0%
Loan Loss Reserves/ Gross Loans	1.31%	1.30%	1.10%	1.10%	1.16%	1.19%
Performance Ratios:						
Return on average shareholder's equity	8.92%	7.51%	4.04%	3.24%	1.23%	12.03%
Return on average assets	0.83%	0.76%	0.52%	0.49%	0.19%	1.39%
Avg. shareholders' equity to avg. assets	9.25%	10.12%	12.91%	15.09%	15.47%	11.57%
Asset Growth Rate Annualized	13%	41%	22%	18%	14%	23%
Efficiency ratio	69.49%	65.23%	76.58%	79.46%	80.29%	83.78%
Bank Regulatory Capital Ratios:						
Common equity tier 1 capital ratio	11.62%	12.73%	11.28%	11.21%	12.70%	0.11
Tier 1 leverage capital ratio	9.05%	9.12%	10.50%	10.48%	11.46%	10.10%
Tier 1 risk-based capital ratio	11.62%	12.61%	11.28%	11.21%	12.70%	11.37%
Total risk-based capital ratio	12.87%	13.86%	12.33%	12.29%	13.87%	12.59%
Capital Buffer	4.87%	5.86%	4.33%	4.29%	5.87%	4.59%
YTD average assets	\$ 471,085	\$ 398,858	\$ 295,619	\$ 242,043	\$ 211,015	\$ 183,558
YTD average equity	\$ 43,593	\$ 40,381	\$ 38,178	\$ 36,523	\$ 32,649	\$ 21,235

*Source: 2021 unaudited; 2020: condensed from audited financial statements.

Balance Sheet*
Grand River Commerce, Inc.

	9/30/2021	12/31/2020	\$ Change
Assets			
Cash and due from banks	\$ 101,974	\$ 73,030	\$ 28,944
Federal funds sold	28	105	(77)
Total Cash and Cash Equivalents	<u>102,002</u>	<u>73,135</u>	<u>28,867</u>
Securities, available for sale	15,697	7,474	8,223
FHLB & FRB stock, at cost	1,488	1,488	-
Loans held for sale	2,666	7,388	(4,722)
Paycheck Protection Program Loans (net of unearned fees and costs)	11,629	47,286	(35,657)
All Other Loans	360,948	315,920	45,028
Less: allowance for loan losses	4,866	4,706	160
Net Loans	<u>367,711</u>	<u>358,500</u>	<u>9,211</u>
Premises and equipment, net	2,271	1,147	1,124
DTA, net	1,387	1,174	213
Interest receivable and other assets	3,656	1,613	2,043
Total assets	\$ 496,878	\$ 451,919	\$ 44,959
Liabilities			
Non-interest bearing deposits	109,951	91,500	18,451
Interest bearing deposits	325,918	291,364	34,554
Total Deposits	<u>435,869</u>	<u>382,864</u>	<u>53,005</u>
FHLB borrowings	4,500	4,500	-
Fed Funds Purchased & Other Borrowings	-	12,827	(12,827)
Interest payable and other liabilities	3,439	1,490	1,949
Subordinated Debt	8,013	7,994	19
Total liabilities	<u>451,821</u>	<u>409,675</u>	<u>42,146</u>
Equity			
Common stock	67	67	-
Additional paid-in capital	38,218	38,123	95
Additional paid-in capital Warrants	1,199	1,199	-
Retained Earnings(Accumulated deficit)	5,595	2,679	2,916
Accumulated other comprehensive income(loss)	(22)	176	(198)
Total equity	<u>45,057</u>	<u>42,244</u>	<u>2,813</u>
Total liabilities and equity	\$ 496,878	\$ 451,919	\$ 44,959

*Source: 2021 unaudited; 2020: condensed from audited financial statements.

Statement of Operations*
Grand River Commerce, Inc.

	YTD 9/30/2021	YTD 9/30/2020	\$ Change
Interest Income			
Loans, including fees	\$ 11,777	\$ 11,041	\$ 736
Securities	225	145	80
Federal funds sold and other income	65	69	(4)
Total interest income	<u>12,067</u>	<u>11,255</u>	812
Interest Expense			
Deposits	1,508	2,659	(1,151)
Borrowings	468	222	246
Total interest expense	<u>1,976</u>	<u>2,881</u>	(905)
Net interest income	<u>10,091</u>	<u>8,374</u>	1,717
Provision for loan losses	160	1,476	(1,316)
Net interest income after provision for loan losses	<u>9,931</u>	<u>6,898</u>	3,033
Non-interest income			
Service charges and other fees	27	25	2
Gain on sale of loans	2,455	2,208	247
Other income	178	425	(247)
Total non-interest income	<u>2,660</u>	<u>2,658</u>	2
Non-interest expense			
Salaries and benefits	6,110	4,877	1,233
Occupancy & equipment expense	668	396	272
Data processing & computer support	227	197	30
Professional Services	494	400	94
Insurance	273	238	35
Software	291	228	63
Other	798	603	195
Total non-interest expense	<u>8,861</u>	<u>6,939</u>	1,922
Income before taxes	<u>\$ 3,730</u>	<u>\$ 2,617</u>	<u>\$ 1,113</u>
Income tax expense	814	563	251
Net income	<u>\$ 2,916</u>	<u>\$ 2,054</u>	<u>\$ 862</u>

*Source: 2021 unaudited; 2020: condensed from audited financial statements