



**GRAND RIVER**  
COMMERCE, INC.



# **FINANCIAL STATEMENTS**

**Quarter Ending**  
**March 31, 2024**

May 13, 2024

To our valued shareholders:

We present for your review the unaudited results of operations for Grand River Commerce, Inc. (the “Company”) and Grand River Bank (the “Bank”), for the three-month period ended March 31, 2024. As discussed below, these results include the nominal adverse impact of trailing expenses associated with discontinuing the operation of Grand River Mortgage Company, LLC (GRMC).

At March 31, 2024, total assets of the Company stood at \$546 million, a decrease of \$2.9 million from year-end 2023. Commercial loan demand has softened as some borrowers delay significant projects and purchases in anticipation of interest rate reductions and lower borrowing costs. Residential mortgage production continues to be hampered by elevated interest rates and an insufficient inventory of homes available for sale. Growth in cash holdings was offset by decreases in loans, residential mortgages held for sale and securities available for sale.

Continuing the historic condition of our loan portfolio, asset quality remains exceptionally strong. Delinquency is nominal and non-performing loans, as a percentage of the portfolio, remain low at 0.3%. Our clean, well-performing portfolio allows us to avoid the distraction, expense and losses associated with troubled credits.

Reflecting our strong asset quality, our allowance for credit losses stood at 1.07% at quarter-end, compared to 1.08% at year-end. As detailed in our annual report, we adopted ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, commonly referred to as CECL, in 2023, and adjusted our allowance calculation methodology accordingly. The year-to-date decrease in the allowance ratio is tied to shifts in loan portfolio composition. Under CECL, a portion of the reserve is now accounted for in Other Liabilities. On a combined basis, reserves as of March 31, 2024, stood at 1.12%, compared to 1.15% at December 31, 2023.

As reported previously, the Board of Directors, in late October of last year, approved the wind-up of GRMC, our national mortgage lending subsidiary. Subsequently, we shared our belief that eliminating the drag and distraction of GRMC would allow the Bank to begin the process of recovery and restoration. Accordingly, it’s encouraging to report that the Bank returned to profitability in the first quarter, posting net income of \$5,000. This compares favorably to a same-period loss in 2023 of \$1.7 million. As noted earlier in this letter, trailing GRMC shutdown expense, expected to be largely non-recurring, impacted our first quarter performance. Separate from that residual expense, we generated year-to-date income of \$113,000, on a Bank-only basis. At the Company level, we posted a loss of \$316,000, which was primarily attributable to interest expense on the Company’s debt issuance and routine administrative costs.

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Bank earnings are generated primarily through our net interest margin, the spread between the cost of our deposits and the aggregate yield on our loan portfolio. While the yield on our portfolio is steadily improving, deposit costs have continued to outpace that improvement, resulting in sustained pressure upon our margin. Beginning in 2022, we took action designed, over time, to reduce margin compression. While those initiatives are ongoing and will produce benefit, there are no quick fixes while national economic policy is driven by elevated interest rates. If rates remain stable or decrease, we expect to report margin improvement throughout the remainder of this year and into 2024. In the interim, net interest income has decreased by \$326,000, or 10%, on a year-over-year basis, due primarily to an increase in interest expense resulting from the Company's issuance of additional subordinated debt in the fall of 2023.


Non-interest income decreased \$312,000, or 57%, over the same period last year. Bank-only non-interest income increased \$78,000 due to increases in certain fees; however, the increase was more than offset by the near-total elimination of mortgage banking revenue previously generated by GRMC. With the shutdown of GRMC, non-interest expense has significantly declined year-over-year, decreasing \$2.5 million, or 41%. Separate from the GRMC-related benefit, non-interest expense at the Company declined \$50,000, or 1.4%.

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 March 31, 2024, supported by a \$3.0 million injection of additional capital by the Company during the first quarter.

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

As we put GRMC further behind us, focus intently upon the restoration of our traditional performance trajectory and take full advantage of our many opportunities across West Michigan, your investment, patience and support are appreciated more than ever.

Sincerely,



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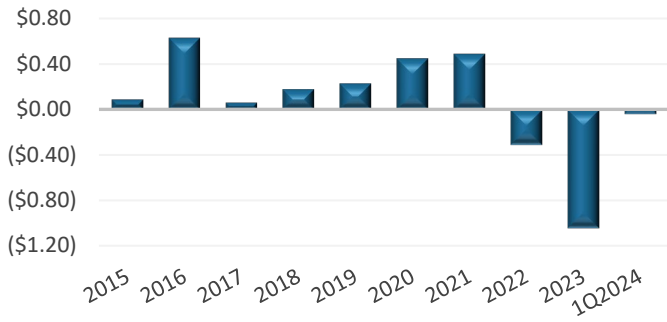
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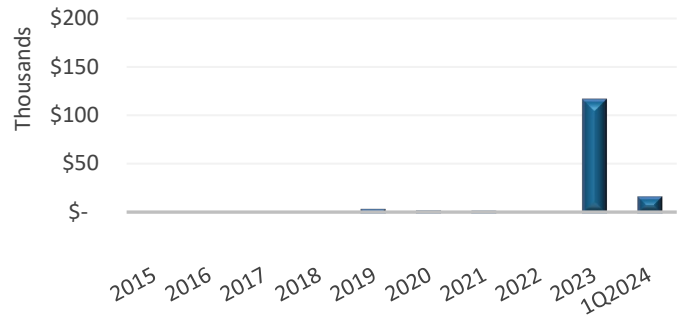
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# Key ratios

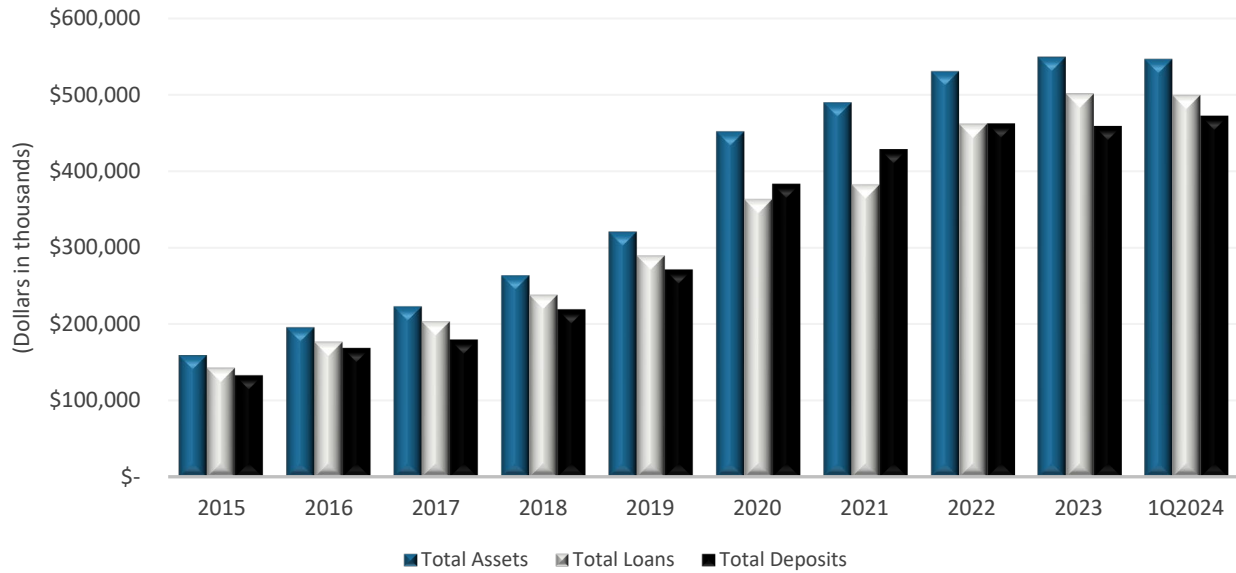
## Earnings Per Share



## Net Charge-offs

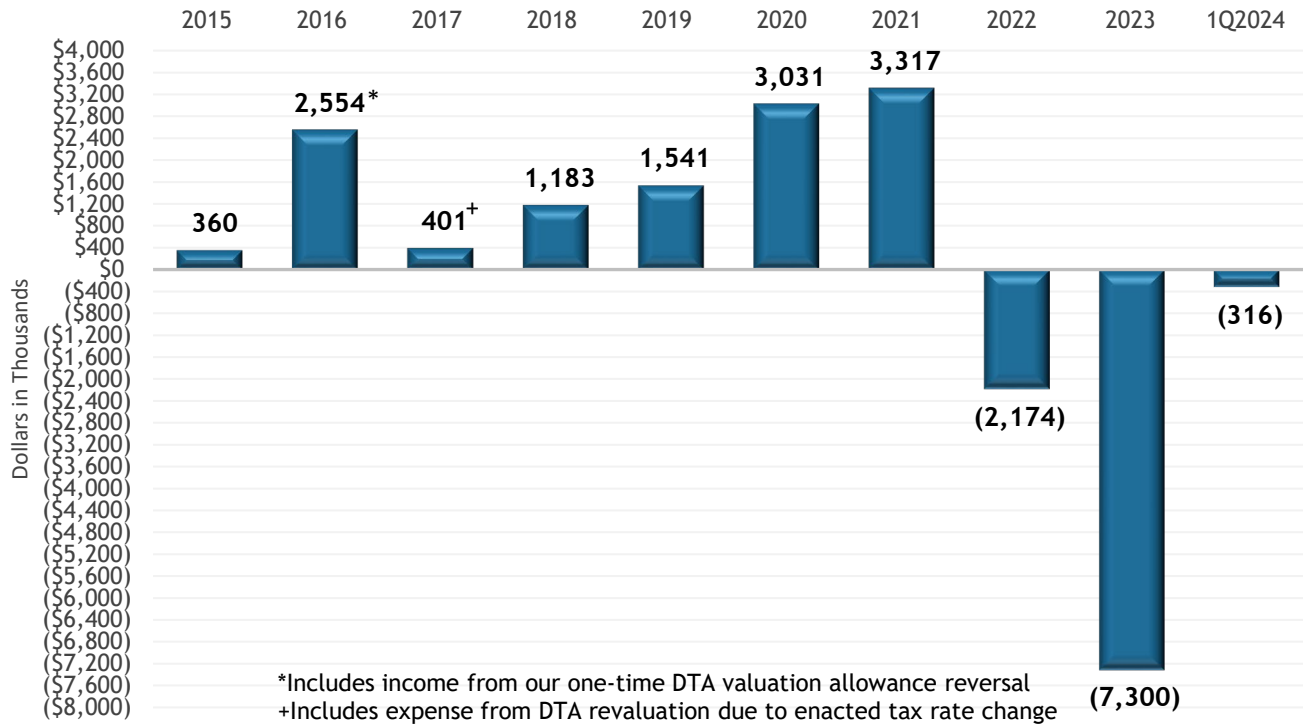


# Growth

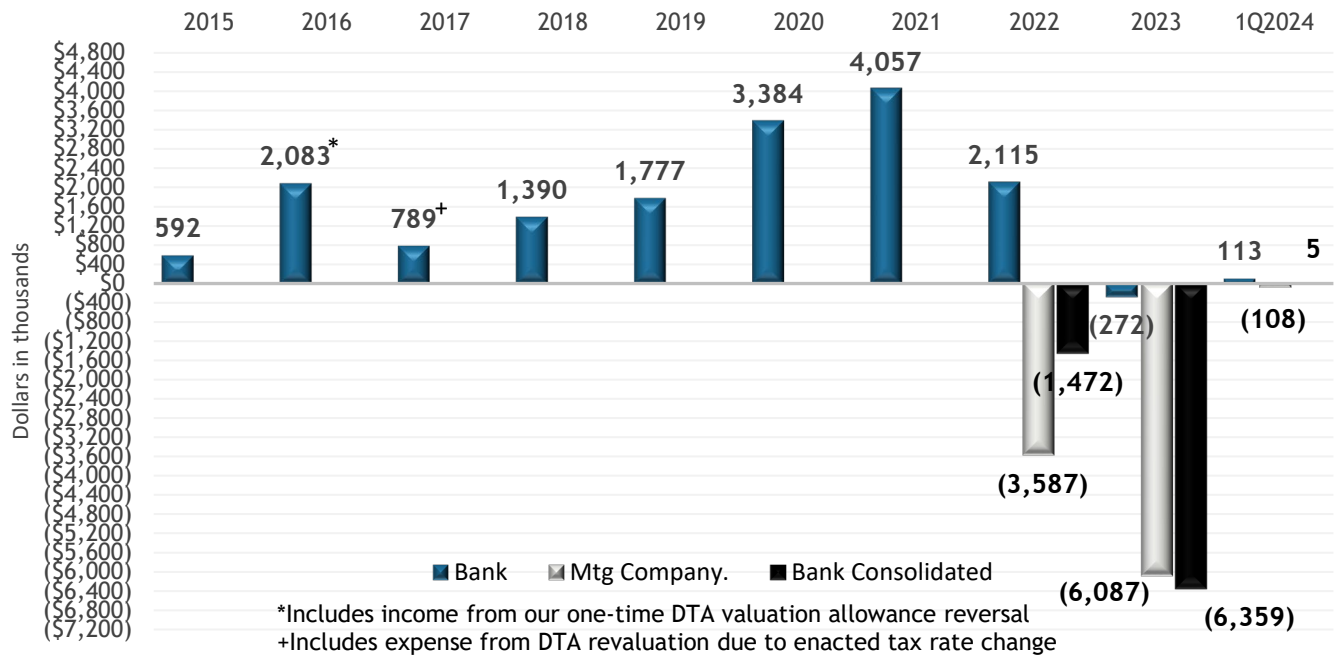


## Key ratios (continued)

### Consolidated Net (Loss) Income



### Bank Only Net (Loss) Income



# GRAND RIVER COMMERCE, INC.

## Consolidated Financial Highlights\*

\$ in thousands except for per share data	1Q 2024	YTD				
		2023	2022	2021	2020	2019
<b>Summary Statement of Operations Data:</b>						
Total interest income	\$ 7,051	\$ 26,472	\$ 19,073	\$ 16,085	\$ 15,085	\$ 13,189
Total interest expense	4,145	13,410	4,083	2,530	3,859	4,300
Net interest income	2,906	13,062	14,990	13,555	11,226	8,889
Provision for credit loss/(reversal)	(151)	(49)	1,063	160	1,531	536
Non interest income	235	3,396	1,134	3,181	4,314	1,789
Non interest expense	3,692	25,746	17,868	12,333	10,136	8,177
Income (loss) before income taxes	(400)	(9,239)	(2,807)	4,243	3,873	1,965
Income tax expense	(84)	(1,939)	(633)	926	842	424
<b>Net income/(loss)</b>	<b>(316)</b>	<b>(7,300)</b>	<b>(2,174)</b>	<b>3,317</b>	<b>3,031</b>	<b>1,541</b>
Pre-provision / Pre-tax income/(Loss)	(551)	(9,288)	(1,744)	4,403	5,404	2,501
<b>Per Share Income Data:</b>						
Shares outstanding - ending	7,039,280	7,039,280	7,026,423	6,761,758	6,731,809	6,733,809
Shares outstanding - average	7,039,280	7,038,301	6,962,466	6,749,388	6,733,633	6,727,211
Shares outstanding - diluted average	9,249,076	7,776,401	7,074,279	7,119,295	7,078,933	7,072,511
Earnings/(loss) per common share	\$ (0.04)	\$ (1.04)	\$ (0.31)	\$ 0.49	\$ 0.45	\$ 0.23
Cash dividends per share	-	-	-	-	-	-
Share market high / low YTD	2.65-3.43	3.13-6.00	5.50-7.39	5.05-7.75	4.20-6.35	5.70-8.10
Closing share price	2.85	3.43	5.50	7.50	5.05	5.75
Book value per share	5.00	5.06	6.10	6.72	6.28	5.81
Tangible book value per share	5.00	5.06	6.10	6.72	6.09	5.70
Share price to book	0.57	0.68	0.90	1.12	0.80	0.99
<b>Selected Balance Sheet Data:</b>						
Total assets	\$ 545,624	\$ 548,556	\$ 530,250	\$ 489,452	\$ 451,919	\$ 321,326
Loans, net of allowance for credit losses	493,418	495,128	455,362	377,343	358,500	286,723
Total deposits	471,753	458,313	461,677	427,859	382,864	270,962
Shareholders' equity	35,195	35,628	42,839	45,437	42,244	39,104
<b>Bank Asset Quality Data:</b>						
Nonperforming Assets (NPA)	\$ 1,755	\$ 1,641	\$ 1,244	\$ 1,311	\$ -	\$ -
NPAs/ Assets	0.3%	0.3%	0.2%	0.3%	0.0%	0.0%
NPAs & 90+ PD/ Assets	0.3%	0.3%	0.2%	0.3%	0.0%	0.0%
Nonaccrual & 90+ & OREO/ Assets	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%
Net Charge-offs/ Avg Loans	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Allowance for credit losses / Loans	1.07%	1.08%	1.29%	1.27%	1.30%	1.10%
<b>Performance Ratios:</b>						
Return on average shareholders' equity	-3.59%	-18.44%	-4.84%	7.54%	7.51%	4.04%
Return on average assets	-0.23%	-1.37%	-0.43%	0.69%	0.76%	0.52%
Avg. shareholders' equity to avg. assets	6.41%	7.45%	8.89%	9.19%	10.12%	12.91%
Asset Growth Rate Annualized	-2%	3%	8%	8%	41%	22%
Efficiency ratio	117.54%	156.43%	110.82%	73.69%	65.23%	76.58%
<b>Bank Regulatory Capital Ratios:</b>						
Common equity tier 1 capital ratio	10.10%	9.35%	9.82%	11.14%	12.61%	11.28%
Tier 1 leverage capital ratio	8.68%	8.15%	8.85%	8.87%	9.12%	10.50%
Tier 1 risk based capital ratio	10.10%	9.35%	9.82%	11.14%	12.61%	11.28%
Total risk based capital ratio	11.29%	10.55%	11.07%	12.36%	13.86%	12.33%
Capital Buffer	3.29%	2.55%	3.07%	4.36%	5.86%	4.33%
<b>YTD average assets</b>	<b>\$ 549,226</b>	<b>\$ 531,405</b>	<b>\$ 505,311</b>	<b>\$ 478,673</b>	<b>\$ 398,858</b>	<b>\$ 295,619</b>
<b>YTD average equity</b>	<b>\$ 35,207</b>	<b>\$ 39,597</b>	<b>\$ 44,911</b>	<b>\$ 44,000</b>	<b>\$ 40,381</b>	<b>\$ 38,178</b>

\*Note that the financial highlights are inclusive of the discontinued operations of Grand River Mortgage Company (GRMC). These statements do not include all disclosures required by "GAAP" for a complete presentation of our financial condition and results of operations. For further information, please refer to the consolidated financial statements and footnotes included in our annual report for the year ended December 31, 2023.

**GRAND RIVER COMMERCE, INC.**  
**CONSOLIDATED BALANCE SHEETS** <sup>(1,2)</sup>

(Dollars in thousands)

	<u>3/31/2024</u>	<u>12/31/2023</u>	<u>\$ Change</u>
<b>ASSETS</b>			
Cash and due from banks	\$ 24,479	\$ 21,981	\$ 2,498
Federal funds sold	-	-	-
<b>Total Cash and Cash Equivalents</b>	<b>24,479</b>	<b>21,981</b>	<b>2,498</b>
Securities, available for sale	13,404	13,882	(478)
FHLB & FRB stock, at cost	3,172	3,157	15
Loans held for sale	866	1,255	(389)
Loans	498,733	500,540	(1,807)
Less allowance for credit losses	5,315	5,412	(97)
<b>Net Loans</b>	<b>493,418</b>	<b>495,128</b>	<b>(1,710)</b>
Premises and equipment, net	1,618	1,709	(91)
Deferred income tax asset, net	4,131	4,047	84
Interest receivable and other assets	4,927	4,568	359
Discontinued operations	160	3,349	(3,189)
<b>TOTAL ASSETS</b>	<b>\$ 546,175</b>	<b>\$ 549,076</b>	<b>\$ (2,901)</b>
<b>LIABILITIES</b>			
Non-interest bearing deposits	\$ 90,955	\$ 96,004	\$ (5,049)
Interest bearing deposits	380,796	362,272	18,524
<b>Total Deposits</b>	<b>471,751</b>	<b>458,276</b>	<b>13,475</b>
Federal Home Loan Bank advances	19,500	34,500	(15,000)
Interest payable and other liabilities	3,523	4,329	(806)
Subordinated debt	15,406	15,366	40
Discontinued operations	800	977	(177)
<b>TOTAL LIABILITIES</b>	<b>510,980</b>	<b>513,448</b>	<b>(2,468)</b>
<b>SHAREHOLDERS' EQUITY</b>			
Common stock	70	70	-
Additional paid-in capital	40,992	40,992	-
Accumulated deficit	(3,794)	(3,478)	(316)
Accumulated other comprehensive loss	(2,073)	(1,956)	(117)
<b>TOTAL EQUITY</b>	<b>35,195</b>	<b>35,628</b>	<b>(433)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 546,175</b>	<b>\$ 549,076</b>	<b>\$ (2,901)</b>

1. 03/31/2024 unaudited financials; 12/31/2023 condensed from audited financial statements.

2. These financial statements do not include all disclosures required by "GAAP" for a complete presentation of the financial condition and results of operations. For further information, please refer to the consolidated financial statements and footnotes included in our annual report for the year ended December 31, 2023.



**GRAND RIVER COMMERCE, INC.**  
**CONSOLIDATED STATEMENT OF OPERATIONS** <sup>(1,2)</sup>

(Dollars in thousands)

	YTD		\$ Change
	3/31/2024	3/31/2023	
	(unaudited)		
<b>INTEREST INCOME</b>			
Loans, including fees	\$ 6,580	\$ 5,440	\$ 1,140
Securities	129	97	32
Federal funds sold and other income	330	319	11
<b>TOTAL INTEREST INCOME</b>	<b>7,039</b>	<b>5,856</b>	<b>1,183</b>
<b>INTEREST EXPENSE</b>			
Deposits	3,459	2,432	1,027
Borrowings	686	290	396
<b>TOTAL INTEREST EXPENSE</b>	<b>4,145</b>	<b>2,722</b>	<b>1,423</b>
<b>NET INTEREST INCOME</b>	2,894	3,134	(240)
Credit loss (reversal)/expense	(151)	-	(151)
<b>NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES</b>	<b>3,045</b>	<b>3,134</b>	<b>(89)</b>
<b>NONINTEREST INCOME</b>			
Service charges and other fees	14	12	2
Gain on sale of loans	98	95	3
Other income	127	54	73
<b>TOTAL NONINTEREST INCOME</b>	<b>239</b>	<b>161</b>	<b>78</b>
<b>NONINTEREST EXPENSE</b>			
Salaries and benefits	2,351	2,324	27
Occupancy & equipment expense	267	270	(3)
Data processing & computer support	118	98	20
Software	246	237	9
Professional Services	117	230	(113)
Insurance	176	132	44
Other expense	269	303	(34)
<b>TOTAL NONINTEREST EXPENSE</b>	<b>3,544</b>	<b>3,594</b>	<b>(50)</b>
Net loss before taxes	(260)	(299)	39
Income tax benefit	(52)	(60)	8
<b>NET LOSS FROM CONTINUING OPERATIONS</b>	<b>(208)</b>	<b>(239)</b>	<b>31</b>
Loss from discontinued operations*	(140)	(2,158)	2,018
Income tax benefit	(32)	(457)	425
<b>NET LOSS FROM DISCONTINUED OPERATIONS</b>	<b>(108)</b>	<b>(1,701)</b>	<b>1,593</b>
<b>NET LOSS</b>	<b>\$ (316)</b>	<b>\$ (1,940)</b>	<b>\$ 1,624</b>

1. Certain amounts reported in the 03/31/2023 statement of operations were reclassified to conform to the 03/31/2024 presentation.

2. These financial statements do not include all disclosures required by "GAAP" for a complete presentation of the financial condition and results of operations. For further information, please refer to the consolidated financial statements and footnotes included in our annual report for the year ended December 31, 2023.