

GRAND RIVER
COMMERCE, INC.



FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31

2025

TABLE OF CONTENTS



Management's Report	1
Client Profiles	4
Independent Auditors' Report	6
Consolidated Financial Statements for the Years Ended December 31, 2025 and 2024	
Consolidated Balance Sheets	9
Consolidated Statements of Operations	10
Consolidated Statements of Comprehensive Income (Loss)	11
Consolidated Statements of Shareholders' Equity	12
Consolidated Statements of Cash Flows	13
Notes to Consolidated Financial Statements	14



TO OUR VALUED SHAREHOLDERS

We are pleased to report continued improvement in the performance of Grand River Commerce, Inc. (the “Company”) and Grand River Bank (the “Bank”) for the fiscal year ended December 31, 2025. Our financial results, reflecting consolidated operations, are provided below.

RETURN TO PROFITABILITY

In last year’s report, we emphasized our commitment to strengthening every key area of operations while preserving exceptional asset quality, retaining talent, and executing on our strategic initiatives. We are pleased to share that 2025 marked a significant step forward in our ongoing recovery.

Through disciplined balance sheet management, focused expense reductions, and sustained margin improvement, we meaningfully enhanced earnings, profitability metrics, capital ratios, and liquidity. These initiatives have stabilized the Bank, set a solid foundation for future growth, and positioned us to build on the progress achieved in 2025.

EXECUTING OUR STRATEGIC PLAN AND ENHANCING SHAREHOLDER VALUE

As we enter the second year of our current Strategic Plan in 2026, our commitment to long term value creation remains unwavering. Our plan prioritizes financial strength, operational efficiency, and disciplined growth, with emphasis on the following areas:

- 1. Return on Average Assets (ROAA):** Optimizing the asset mix through targeted investment strategies and prudent risk selection to drive higher returns.
- 2. Return on Average Equity (ROAE):** Enhancing profitability and strengthening capital to deliver improved returns to shareholders.
- 3. Loan-to-Deposit Ratio:** Actively managing loan production and deposit composition to maintain a balanced ratio supporting liquidity and stability.
- 4. Margins and Efficiency Ratio:** Streamlining operations and reducing costs have resulted in stronger margins and an improved efficiency ratio. We will continue pursuing operational excellence with the goal of achieving peer leading efficiency.
- 5. Expense Management:** We have reduced annual operating expenses by more than \$1.5 million without compromising client service or core capabilities.
- 6. Asset Quality:** Exceptional asset quality remains a cornerstone of our strategy. Rigorous credit disciplines and proactive risk management continue to protect the Bank from potential losses and distractions.
- 7. Capital Strength:** We remain committed to maintaining capital ratios at levels consistent with strong regulatory standing and long term growth.

2025 FINANCIAL RESULTS

At year end 2025, total assets were **\$517 million**, a reduction of \$7 million from 2024. Increases in cash balances and investment securities were offset by a decline in loan balances, reflecting softer commercial loan demand and continued headwinds in residential mortgage production due to elevated interest rates and high housing costs.

Asset quality continues to be exceptional. Delinquencies remain nominal, and non-performing loans represented just **0.5%** of total loans, an important indicator of the fundamental strength of our franchise.

As previously disclosed, the Board approved the closure of Grand River Mortgage Company, LLC (“GRMC”) in late 2023. Its loan pipeline was fully resolved in early 2024, and no active operations remained during 2025. The net loss from discontinued operations decreased sharply, to **\$9,000** in 2025 from **\$85,000** in 2024.

Excluding the impact of GRMC, the Bank generated **\$1.96 million** in net income in 2025, compared to **\$861,000** in 2024. At the consolidated Company level, net income for 2025 was **\$636,000**, a substantial improvement from the \$523,000 net loss reported in 2024.

Key drivers of improved performance included stronger net interest margin, disciplined management of interest rate risk, enhanced balance sheet liquidity, and improved capital ratios. Notably, non-interest expenses decreased **10% year-over-year**, demonstrating the material impact of our cost containment initiatives.

The Bank continued to maintain capital ratios exceeding the regulatory definition of “well capitalized,” consistent with its historical performance.

Comprehensive financial information is available in the Investor Relations section of our website at www.grandriverbank.com, and we encourage shareholders to remain engaged and informed.

LOOKING AHEAD

We remain committed to executing our Strategic Plan, strengthening our performance trajectory, and delivering long term value for our shareholders. The progress achieved over the past year reflects the hard work of our team and the resilience of our franchise. While further work remains to fully realize the Bank’s earnings potential, we are confident in the course we have set and encouraged by the momentum now underway.

Thank you for your ongoing trust, support, and partnership. Together, we are building a more resilient institution—one positioned for sustained growth and long term profitability.

Sincerely,

Robert P. Bilotti

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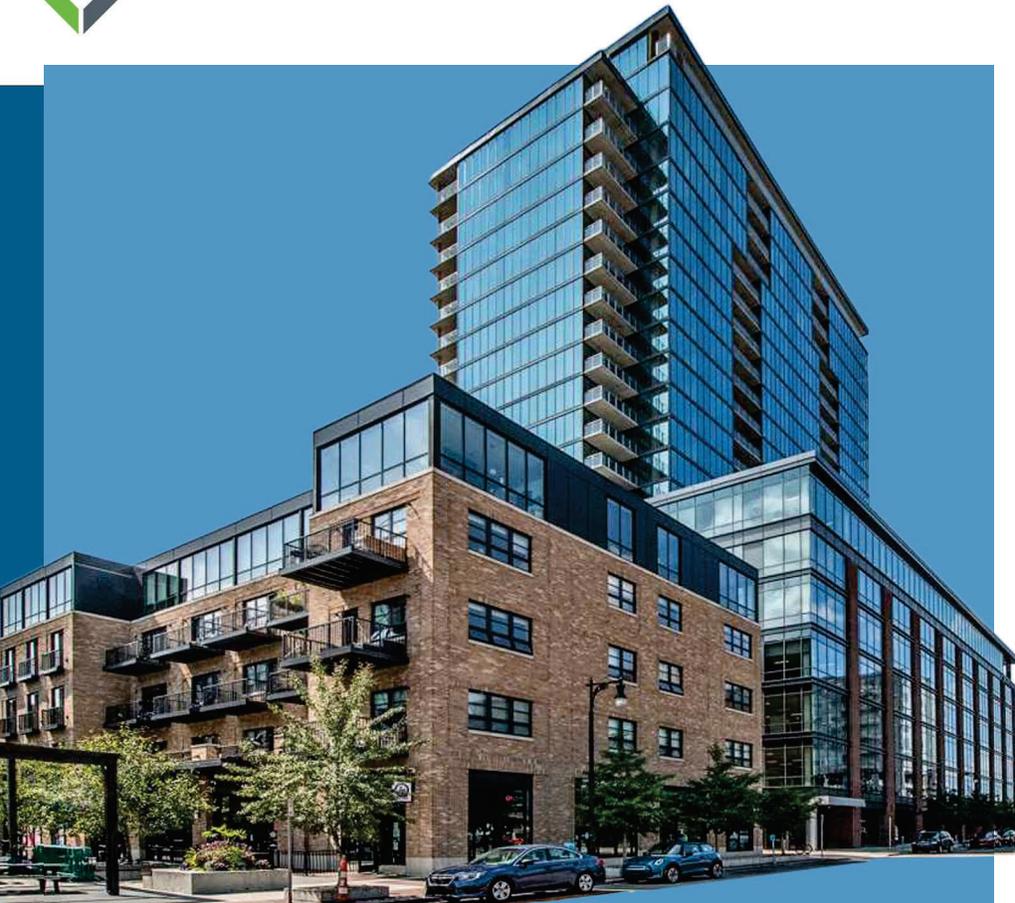
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Forward looking statements

Certain statements contained in this presentation are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to significant risks and uncertainties. Forward-looking statements include information concerning our future results, interest rates, loan and deposit growth, operations, new branch openings and business strategy. These statements often included words such as “may,” “will,” “believe,” “expect,” “anticipate,” “predict,” “intend,” “plan,” “estimate,” or “continue” or the negative thereof or other variations thereon or comparable terminology. As you consider forward-looking statements, you should understand that these statements are not guarantees of future performance or results. They involve risks, uncertainties and assumptions that could cause actual results to differ materially from those in the forward-looking statements. These factors include but are not limited to: (i) the continuing strength of our existing business, which may be affected by various factors, including but not limited to interest rate fluctuations, level of delinquencies, defaults and prepayments by our borrowers, general economic conditions and conditions specifically related to the financial and credit markets, legislative and regulatory changes in banking, securities and tax laws, regulations and their application by our regulators, our competition; and (ii) the risks and uncertainties discussed in this annual report, Dated March 24, 2026; and (iii) the risks and uncertainties set forth from time to time in the Company’s other published reports and public statements. You should keep in mind that any forward-looking statements speak only as of the date on which they were made. New risks and uncertainties come up from time to time and it is impossible for us to predict these events or how they may affect us. We do not intend to update or revise any forward-looking statements after the date on which they are made. In light of all of the foregoing risks and uncertainties, you should keep in mind that any forward-looking statement made in this presentation may not reflect actual future results.



CLIENT PROFILES

Pictured here are two of their recent large-scale projects in downtown Grand Rapids – Studio Park Tower and Perrigo Headquarters Building. E3M designed the mechanical, electrical and plumbing systems for both of these ground-up new construction buildings.

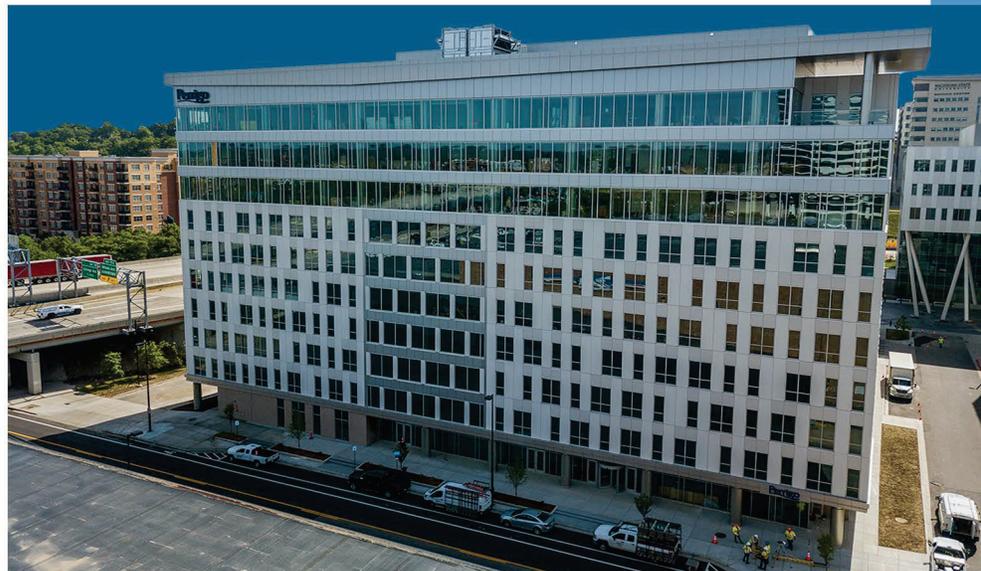
Eric DeVries, President of E3M Solutions, attributes the company's success to the efforts of their team and with the support of Grand River Bank, they have been able to focus more on their end product and building relationships with their clients. "Working with Grand River Bank gives us real peace of mind," Eric shared. "Our line of credit has supported our growth and allowed us to focus on serving our clients rather than worrying about day-to-day cash flow. We also appreciate Christy Vierzen's commitment to security. By following her recommendations, we feel our online banking is more secure than ever."

Since 2014, E3M Solutions has been designing and auditing buildings across North America with the goal of using less energy. Believing that energy efficiency and building design should be intertwined, E3M's engineers design around energy, occupant comfort and long-term maintenance. By balancing these elements, they have a significant impact on both the environment and their clients' bottom line. Whether partnering with an architectural firm or an in-house operations team, E3M works closely with each stakeholder to achieve the desired outcome.



At Grand River Bank, our goal is to be the most trusted community bank in West Michigan - going beyond transactions to anticipate the needs of our customers.. We value our relationship with E3M Solutions and look forward to supporting their growth and contributing to their success for years to come.

“WORKING WITH GRAND RIVER BANK GIVES US REAL PEACE OF MIND.”





CLIENT PROFILES



Using carefully selected seed blends tailored to the Michigan climate, they help customers achieve greener, healthier lawns. Their expertise also extends to erosion control projects, including slopes and stream banks, ensuring both beauty and long-term sustainability.

Second-generation Owner and President Robert Fischer has worked closely with Scott Schrottenboer, Vice President Commercial Lender at Grand River Bank, since taking over the business. Bob said “Scott was there for them when no other bank was. I don’t know if we would be around today if it wasn’t for him.”

That trusted relationship continued in 2024 when Bob was approached about bringing Winchel Irrigation into the fold. Once again, he turned to Scott for guidance and support. Bob describes Scott as “amazing” and adds, “Everyone at the branch is amazing. I cannot imagine banking anywhere else but Grand River Bank and I cannot believe I put up with other places.”

As West Michigan Sprinkling & Hydroturf continues to grow, it does so with the ongoing support of Grand River Bank. This partnership reflects our shared commitment to serving the community by prioritizing relationships over transactions - and helping local businesses achieve lasting financial success.

West Michigan Sprinkling & Hydroturf Inc. is an Irrigation and Underground Sprinkling specialist that has proudly served West Michigan for more than 50 years. They partner with businesses, property managers, and homeowners to deliver reliable, high-performance irrigation and landscape solutions designed to help lawns thrive - season after season.

Beyond irrigation system installation and maintenance, West Michigan Sprinkling & Hydroturf offers a full suite of outdoor services, including landscape design and installation, turf management and lawn care, drainage solutions, and seasonal services. Their comprehensive approach allows customers to work with a single, trusted provider for all their landscape and irrigation needs.

Expanding their capabilities even further, West Michigan Sprinkling & Hydroturf added hydroseeding services for both residential and commercial properties.

“I CANNOT
IMAGINE BANKING
ANYWHERE ELSE BUT
GRAND RIVER BANK...”



INDEPENDENT AUDITORS' REPORT

March 24, 2026

Board of Directors and Shareholders
Grand River Commerce, Inc.
Grandville, Michigan

Opinion

We have audited the consolidated financial statements of **Grand River Commerce, Inc.** (the "Company"), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements (the "financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of **Grand River Commerce, Inc.** as of December 31, 2025 and 2024, and the consolidated results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Information included in the Annual Report

Management is responsible for the other information included in the Company's accompanying annual report. The other information comprises Management's Report but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Rehmann Lobson LLC

GRAND RIVER COMMERCE, INC.

Consolidated Balance Sheets

(Dollars in thousands)

	December 31	
	2025	2024
Assets		
Cash and due from banks	\$ 46,621	\$ 23,513
Investment securities, available-for-sale	16,845	12,431
Restricted investments	4,069	3,657
Mortgage loans held for sale	734	497
Total loans	445,657	479,962
Less: allowance for credit losses	5,002	5,140
Net loans	440,655	474,822
Premises and equipment, net	1,080	1,350
Deferred income taxes	3,905	4,182
Interest receivable and other assets	3,557	4,038
Discontinued operations (Note 2)	5	17
Total assets	\$ 517,471	\$ 524,507
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-bearing	\$ 88,031	\$ 89,828
Interest-bearing	356,768	345,293
Total deposits	444,799	435,121
Interest payable and other liabilities	2,829	3,022
Other debt	17,500	35,500
Subordinated debt		
(net of issuance costs of \$217 and \$375 at December 31, 2025 and 2024)	15,683	15,525
Discontinued operations (Note 2)	339	339
Total liabilities	481,150	489,507
Shareholders' equity		
Common stock		
\$0.01 par value, authorized 10,000,000 shares; issued and outstanding		
7,038,924 shares in 2025 and 7,039,280 shares in 2024	70	70
Additional paid-in capital	40,989	40,992
Accumulated deficit	(3,365)	(4,001)
Accumulated other comprehensive loss	(1,373)	(2,061)
Total shareholders' equity	36,321	35,000
Total liabilities and shareholders' equity	\$ 517,471	\$ 524,507

The accompanying notes are an integral part of these consolidated financial statements.

GRAND RIVER COMMERCE, INC.

Consolidated Statements of Operations

(Dollars in thousands)

	Year Ended December 31	
	2025	2024
Interest income		
Loans, including fees	\$ 24,787	\$ 26,674
Securities	600	522
Federal funds sold and other income	1,466	1,219
Total interest income	26,853	28,415
Interest expense		
Deposits	11,843	13,747
Borrowings	2,421	2,448
Total interest expense	14,264	16,195
Net interest income	12,589	12,220
Credit loss reversal	(273)	(377)
Net interest income after credit loss reversal	12,862	12,597
Non-interest income		
Gain on sale of mortgage loans	297	552
Service charges and other fees	68	62
Other	262	367
Total non-interest income	627	981
Non-interest expenses		
Compensation	8,081	9,165
Occupancy and equipment	1,014	1,075
Data processing and IT support	548	596
Software	794	969
Professional services	658	712
Insurance	654	648
Other	922	964
Total non-interest expenses	12,671	14,129
Income before income taxes	818	(551)
Income tax (expense) benefit	(173)	113
Income (loss) from continuing operations	645	(438)
Loss from discontinued operations before income tax benefit	(11)	(111)
Income tax benefit	2	26
Loss from discontinued operations	(9)	(85)
Net income (loss)	\$ 636	\$ (523)
Basic income (loss) per common share		
Income (loss) from continuing operations	\$ 0.09	\$ (0.06)
Loss from discontinued operations	(0.00)	(0.01)
Net income (loss)	\$ 0.09	\$ (0.07)

The accompanying notes are an integral part of these consolidated financial statements.

GRAND RIVER COMMERCE, INC.

Consolidated Statements of Comprehensive Income (Loss)

(Dollars in thousands)

	Year Ended December 31	
	2025	2024
Net income (loss)	\$ 636	\$ (523)
Unrealized holding gains (losses) on investment securities arising during the year	871	(133)
Income tax (expense) benefit related to other comprehensive income (loss)	<u>(183)</u>	<u>28</u>
Other comprehensive income (loss)	<u>688</u>	<u>(105)</u>
Comprehensive income (loss)	<u>\$ 1,324</u>	<u>\$ (628)</u>

The accompanying notes are an integral part of these consolidated financial statements.

GRAND RIVER COMMERCE, INC.

Consolidated Statements of Shareholders' Equity

(Dollars in thousands)

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balances, January 1, 2024	\$ 70	\$ 40,992	\$ (3,478)	\$ (1,956)	\$ 35,628
Comprehensive loss	-	-	(523)	(105)	(628)
Balances, December 31, 2024	70	40,992	(4,001)	(2,061)	35,000
Share-based compensation expense	-	(3)	-	-	(3)
Comprehensive income	-	-	636	688	1,324
Balances, December 31, 2025	\$ 70	\$ 40,989	\$ (3,365)	\$ (1,373)	\$ 36,321

The accompanying notes are an integral part of these consolidated financial statements.

GRAND RIVER COMMERCE, INC.

Consolidated Statements of Cash Flows

(Dollars in thousands)

	Year Ended December 31	
	2025	2024
Cash flows from operating activities		
Net income (loss)	\$ 636	\$ (523)
Adjustments to reconcile net income (loss) to net cash from operating activities		
Share-based compensation	1	35
Credit loss reversal	(273)	(377)
Net amortization of investment securities	32	40
Originations of loans held for sale	(11,303)	(20,671)
Proceeds from loan sales	11,363	25,204
Net gain on sale of loans	(297)	(605)
Depreciation and amortization	345	398
Non-cash lease expense	421	434
Impairment of productive assets	-	18
Deferred income tax benefit	94	(107)
Amortization of debt issuance costs	158	159
Net change in		
Interest receivable and other assets	60	68
Interest payable and other liabilities	(465)	(2,158)
Operating lease obligations	416	426
Net cash from operating activities	1,188	2,341
Cash flows from investing activities		
Activity in available-for-sale securities		
Maturities and pre-payments	1,446	1,278
Purchase of securities	(5,021)	-
Loan principal collections, net	34,296	20,536
Proceeds from the sale of property and equipment	4	-
Purchase of Federal Home Loan Bank restricted stock	(412)	(410)
Purchase of Federal Reserve Bank restricted stock	-	(90)
Purchase of premises and equipment	(79)	(28)
Net cash from investing activities	30,234	21,286
Cash flows from financing activities		
Acceptances and withdrawals of deposits, net	9,678	(23,193)
Federal Home Loan Bank borrowings	102,500	18,000
Repayments of Federal Home Loan Bank borrowings	(120,500)	(17,000)
Net cash from financing activities	(8,322)	(22,193)
Net change in cash and cash equivalents	23,100	1,434
Cash and cash equivalents at beginning of year	23,523	22,089
Cash and cash equivalents at end of year	\$ 46,623	\$ 23,523
Supplemental cash flow information		
Cash paid for interest	\$ 14,230	\$ 16,457

Cash flows from Grand River Mortgage Company's (GRMC) discontinued operations are reflected in the presentation above. Operating cash flows from GRMC were a net use of \$(10,000) in 2025, compared with net cash provided of \$2.5 million in 2024. There were no cashflow outlays for investing or financing activities in 2024 or 2025.

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

1. ORGANIZATION, BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Grand River Commerce, Inc. ("GRCI") was incorporated under the laws of the State of Michigan to organize a bank in Michigan. Upon receiving regulatory approvals to commence business, GRCI chartered Grand River Bank, (the "Bank"). The Bank is a wholly-owned subsidiary of GRCI (the "Company"). In late 2021 Grand River Mortgage Company, LLC ("GRMC"), was formed as a wholly owned subsidiary of the Bank.

The Bank is a full-service commercial bank headquartered in Grandville, Michigan, serving the communities of Grandville, Grand Rapids and the surrounding areas in Kent and Ottawa counties in Michigan, offering a broad range of commercial and consumer banking services to businesses, professionals, and local residents who are particularly responsive to the style of service which the Bank provides.

The Bank is chartered by the State of Michigan and is a member of the Federal Deposit Insurance Corporation ("FDIC") and the Federal Reserve. The Bank is subject to the regulations and supervision of the Federal Reserve as well as state regulators and undergoes periodic examinations by these regulatory authorities while still maintaining insurance governed by the FDIC.

Active competition, principally from other commercial banks, savings banks, credit unions, and mortgage companies exists in all of the Bank's primary markets. The Bank's results of operations can be significantly affected by changes in interest rates or changes in the industries which comprise a significant portion of the local economic environment which currently include medical, manufacturing, automotive and professional services.

GRMC, a direct to consumer national mortgage lender, offered a variety of lending products including purchase, cash out and re-finance. All loans originated by GRMC were intended for sale on the secondary market. In the fourth quarter of 2023, the Board of Directors voted to discontinue operations of GRMC. As of December 31, 2023, GRMC ceased its active sales operations. See Note 2 - Discontinued Operations for additional details regarding GRMC.

GRCI is also subject to regulations of the Federal Reserve Board governing bank holding companies. In addition, GRMC was subject to certain other state regulatory authorities specific to the consumer lending line of business in the states where GRMC was required to be licensed.

Notes to Consolidated Financial Statements

Concentration Risks

The Bank's primary deposit products are interest and noninterest-bearing checking accounts, savings accounts and time deposits and its primary lending products are real estate mortgages, commercial and consumer loans. The majority of the Bank's loan portfolio is comprised of commercial real estate and commercial and industrial loans. Commercial real estate loans represented 72% of total loans at December 31, 2025 and 2024. Commercial and industrial loans represented 9% of total loans at December 31, 2025 and 2024. While the Bank has a concentration in loans collateralized by commercial real estate, management believes that the Bank does not have significant concentrations with respect to any one industry, customer, or depositor.

Principles of Consolidation

The consolidated financial statements include the accounts of GRCI, the Bank and GRMC (collectively, the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation. When the term "Bank" is used throughout these statements it is inclusive of GRMC, as applicable and until its time of dissolution.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated balance sheets and the reported amounts of income and expenses during the year. Actual results could differ from those estimates and assumptions.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for credit losses. In connection with the determination of this allowance, management obtains independent appraisals for significant properties and evaluates the events which could impact the valuation.

Summary of Significant Accounting Policies

Accounting policies used in the preparation of these consolidated financial statements are in conformity with GAAP. The principles which materially affect the determination of the consolidated financial position and results of operations of the Company are summarized below.

Cash and Cash Equivalents

For the purposes of the consolidated statements of cash flows, cash and cash equivalents include cash and balances due from banks, and federal funds sold, if any. Fed funds sold generally mature within one day. Deposit accounts are maintained in various financial institutions which may exceed FDIC-insured limits. Management does not believe the Company is exposed to any significant interest, credit, or other financial risk as a result of these deposits.

Notes to Consolidated Financial Statements

Fair Value

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data, such as the reporting entity's own data (Level 3).

A description of each level in the fair value accounting hierarchy is as follows:

Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets in which the Company can transact.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement, and include inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

For a further discussion of Fair Value Measurements, refer to Note 3.

Investment Securities

Debt securities classified as available-for-sale (AFS) consist of securities that may be sold prior to maturity due to changes in interest rates, prepayment risks, yields and availability of alternative investments, liquidity needs or other factors. Securities classified as AFS are reported at fair value and the related unrealized gain or loss is reported in other comprehensive loss, net of tax.

A debt security is placed in nonaccrual status when principal or interest is 90 days past due. Interest accrued but not received for a security placed on nonaccrual is reversed against interest income.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the investment securities. Premiums on callable debt securities are amortized to their earliest call date. Gains or losses on the sale of debt securities are recorded in investment income on the trade date and are determined using the specific identification method.

Notes to Consolidated Financial Statements

Allowance for Credit Losses - Available for Sale Securities (AFS)

In estimating the allowance for credit losses on AFS debt securities in an unrealized loss position, management first determines whether they intend to sell or if it is more likely than not that the Company will be required to sell the security before recovery of the amortized cost basis. If intent or requirement to sell exists, the security is written down directly to fair value through earnings and no Allowance for Credit Loss (ACL) is recorded. The ACL model only applies when the security is not expected to be sold. For securities AFS with unrealized losses not meeting these criteria, management evaluates whether any decline in fair value is due to credit losses or other factors. In making this assessment, management considers any changes to the rating of the security by rating agencies and adverse conditions specifically related to the issuer of the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security.

If the present value of the cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an ACL adjustment is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Changes in the ACL are recorded as provisions for (or reversal of) credit loss expense. Losses are charged against the allowance when the uncollectability of a debt security AFS is confirmed or when either of the criteria regarding intent or requirement to sell is met. Any impairment that has not been recorded through an ACL is recognized in other comprehensive loss, net of income taxes. At December 31, 2025, and 2024, there was no ACL related to AFS debt securities.

Accrued interest receivable on AFS debt securities totaled \$54,000 and \$44,000 as of December 31, 2025 and 2024, respectively, and was excluded from the estimate of expected credit losses.

Restricted Investments

Restricted investments include stock issued by the Federal Reserve Bank of Chicago (FRB) as well as stock issued by the Federal Home Loan Bank of Indianapolis (FHLB). Holdings of FRB stock were \$1,405,500 as of December 31, 2025 and 2024. Holdings of FHLB stock were \$2,663,900 and \$2,251,100 as December 31, 2025 and 2024, respectively. These nonmarketable equity securities and the value assigned to their stock dividends are recorded at cost as they do not have a readily determinable fair value since ownership is restricted and lacks a market.

Mortgage Loans Held for Sale

Mortgage loans originated and held for sale in the secondary market are carried at the lower of cost or fair value in the aggregate. Estimated fair value is determined using forward commitments to sell loans to permanent investors, or current market rates for loans of similar quality and type. Net unrealized losses, if any, are recognized in a valuation allowance by a charge to earnings. Discounts or premiums on loans held for sale are deferred until the related loan is sold. Loans held for sale are sold with servicing rights released.

Notes to Consolidated Financial Statements

Loans are considered sold when the Bank surrenders control over the transferred assets to the purchaser, with standard representations and warranties. At such time, the loan is removed from the Bank's loan portfolio, and a gain or loss is recorded on the sale. Gains and losses on loan sales are determined based on the difference between the carrying value of the assets sold, the estimated fair value of any assets or liabilities that are newly created as a result of the transaction and the proceeds from the sale.

Loans

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding principal balance adjusted for any charge-offs, the allowance for credit losses, and unamortized premiums or discounts on purchased loans. Interest is credited to income on a daily basis based upon the principal amount outstanding. Net deferred loan fees and costs for commercial loans classified as held for investment are included in the consolidated balance sheet. Management estimates that direct costs incurred in originating mortgage and consumer loans classified as held-to-maturity are approximately equal to origination fees earned on these loans. As a result, net deferred loan origination fees for these loan types are not included on the consolidated balance sheets.

Interest income on all classes of loans is discontinued when management believes, after consideration of economic and business conditions and collection efforts, that the borrowers' financial condition is such that collection of interest is doubtful, typically 90 days past due, unless the credit is well secured or is in process of collection. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. Nonaccrual loans and loans past due 90 days still on accrual are considered in nonperforming status for purposes of credit quality evaluation and are individually evaluated for impairment.

All interest accrued but not received for loans placed on nonaccrual in the current year is reversed against interest income. Interest accrued but not received for loans placed on nonaccrual due from prior years is charged against the allowance for credit losses. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. For impaired loans not classified as nonaccrual, interest income is recognized daily as it is earned according to the terms of the loan agreement.

Notes to Consolidated Financial Statements

Allowance for Credit Losses (ACL)

The allowance for credit losses (ACL) is a valuation account that is deducted from the loan portfolio's amortized cost basis to present the net amount expected to be collected on loans. The ACL is increased by the provision for credit losses and recoveries, and decreased by reversals of the provision and charge-offs of loans. Management believes the ACL balance to be adequate based on known and inherent risks in the portfolio, past loan loss experience, information about specific borrower situations and estimated collateral values, current and forecasted economic conditions and other relevant factors. Allocations of the ACL may be made for specific loans, but the entire ACL is available for any loan that, in management's judgment, should be charged-off. Loan losses are charged against the ACL when management believes the uncollectibility of a loan balance is confirmed. Management continues its collection efforts on previously charged-off balances and applies recoveries as additions to the ACL. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

The ACL is measured on a collective pool basis when similar risk characteristics exist. Pools are determined based on federal call code. The Weighted Average Remaining Maturity (WARM) method is used for all loan pools. This approach projects an estimated future remaining life of the portfolio based on historical exit events within each given pool. Given the Bank's limited loss history, a loss rate computed based on actual loss history from a peer group of similar sized financial institutions is used. This loss rate is then applied to the pool's balance based on the estimated remaining life of the pool. Determination of the lookback period for peer data is subjective. Management evaluates this lookback timeframe to ensure that it is reasonable and supportable. Additionally, the ACL calculation includes subjective adjustments to the historical loss factors for qualitative risk considerations that are likely to cause estimated losses to differ from historical experience as described below.

The ACL established for specific loans is based on a thorough analysis of the most probable source of repayment, including the present value of the loan's expected future cash flows, the loan's estimated market value, or the estimated fair value of the underlying collateral. These loans are excluded from the collective pools mentioned above. When management determines that foreclosure is probable, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs, as appropriate.

The unallocated portion of the ACL, if any, relates to expected losses that are not otherwise evaluated in the collective pools or loans specifically evaluated. The qualitative factors associated with the unallocated ACL are subjective and require a high degree of management judgment. These factors include the inherent imprecision in mathematical models and credit quality statistics, recent economic uncertainty, losses incurred from recent events, and lagging or incomplete data.

Notes to Consolidated Financial Statements

A number of qualitative factors are considered including changes in lending policies, economic conditions, portfolio dynamics, credit quality trends, collateral valuation trends, external factors, and other considerations. During each reporting period, management considers the need to make adjustments to these factors that may cause expected losses to differ from those experienced in the historical loss periods.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments, when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a loan restructuring will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Bank.

For borrowers that are in financial distress, the Bank may provide relief to the borrower by modifying the loan through principal forgiveness, interest rate reduction, other than insignificant payment delays, or a term extension. When principal forgiveness is provided, the amount forgiven is charged off against the ACL.

Accrued interest receivable for loans is included in interest receivable and other assets on the consolidated balance sheet and totaled \$1.4 million as of December 31, 2025, and 2024. Management elected not to measure an ACL for accrued interest receivable and instead elected to reverse accrued interest income on loans that are placed on nonaccrual status. Management believes this policy results in the timely reversal of uncollectible interest.

The Bank has certain lending policies and procedures in place that are designed to maximize loan income within an acceptable level of risk. Management reviews and approves these policies and procedures on a regular basis. A reporting system supplements the review process by providing management with frequent reports related to loan production, loan quality, concentrations of credit, loan delinquencies and nonperforming and potential problem loans. Diversification in the loan portfolio is a means of managing risk associated with fluctuations in economic conditions.

The ACL is measured on a collective (pool) basis when similar risk characteristics exist. The Bank has identified the following portfolio segments:

Notes to Consolidated Financial Statements

Commercial and industrial loans are underwritten after evaluating and understanding the borrower’s ability to operate profitably and prudently expand its business. Underwriting standards are designed to promote relationship banking rather than transactional banking. Current and projected cash flows are reviewed to determine the ability of the borrower to repay their obligations as agreed. Commercial and industrial loans are primarily made based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value. Most commercial and industrial loans are secured by the assets being financed or other business assets, such as accounts receivable or inventory, and may incorporate a personal guarantee. In limited circumstances, loans may be made on an unsecured basis. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers.

Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The properties securing the Bank’s commercial real estate portfolio are diverse in terms of type. This diversity helps reduce the Bank’s exposure to adverse economic events that affect any single industry. Management monitors and evaluates commercial real estate loans based on collateral, geography, and risk grade criteria. As a general rule, the Bank avoids financing single-purpose projects unless other underwriting factors are present to help mitigate risk. The Bank also utilizes third-party experts to provide insight and guidance about economic conditions and trends affecting market areas it serves.

Commercial real estate loans are subject to underwriting standards and processes similar to commercial and industrial loans, in addition to those of real estate loans. These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves higher loan principal amounts, and the repayment of these loans, generally, is largely dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan.

In addition, management monitors the level of owner-occupied commercial real estate loans versus non-owner occupied loans. The outstanding principal balance of the Bank’s commercial real estate loans was collateralized by the following categories at December 31:

	2025	2024
Owner occupied properties	37.3%	38.7%
Non-owner occupied properties	47.9	42.3
Multifamily properties	8.6	8.3
1–4 family residential properties	4.1	5.5
Other properties	2.1	5.2
Total	<u>100.0%</u>	<u>100.0%</u>

Notes to Consolidated Financial Statements

With respect to loans to developers and builders that are secured by non-owner occupied properties that the Bank may originate from time to time, the Bank generally requires the borrower to have had an existing relationship with the Bank and have a proven record of success. Commercial real estate construction and land development (“Construction”) loans are underwritten utilizing feasibility studies, independent appraisal reviews, sensitivity analysis of absorption and lease rates and financial analysis of the developers and property owners. Construction loans are generally based upon estimates of costs and value associated with the complete project. These estimates may be inaccurate. Construction loans often involve the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project. Sources of repayment for these types of loans may be pre-committed permanent loans from approved long-term lenders, sales of developed property or an interim loan commitment from the Bank until permanent financing is obtained. These loans are closely monitored by on-site inspections and are considered to have higher risks than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, governmental regulation of real property, general economic conditions, and the availability of long-term financing.

The Bank monitors and manages consumer loan risk through its policies and procedures. These policies and procedures are developed and modified, as needed, by management. The majority of this portfolio is made up of residential real estate loans. As such, underwriting standards are heavily influenced by statutory requirements, which include, but are not limited to, generally conservative loan-to-value percentages, collection remedies, the number of such loans a borrower can have at one time and documentation requirements.

The Bank has implemented an independent loan review that reviews and validates the credit risk program on a periodic basis. Results of these reviews are presented to management, the Audit Committee, and the Board of Directors. The loan review process complements and reinforces the risk identification and assessment decisions made by lenders and credit personnel, as well as the Bank’s policies and procedures.

Although management believes the ACL to be appropriate, ultimate losses may vary from its estimates. At least quarterly, the Board of Directors reviews the appropriateness of the ACL, including consideration of the relevant risks in the portfolio, current economic conditions, reasonable and supportable forecasts, and other factors. If the Board of Directors and management determine that changes are warranted based on those reviews, the ACL is adjusted. In addition, the Bank’s primary regulators periodically review the appropriateness of the ACL. The regulatory agencies may require changes to the ACL based on their judgment about information available at the time of their examination.

Notes to Consolidated Financial Statements

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when 1) the assets have been legally isolated from the Bank, 2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets and 3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity. The Bank's transfers of financial assets are generally limited to commercial loan participations sold to other banks and residential mortgage loans sold in the secondary market.

In 2025, the Bank sold to unrelated third parties residential mortgage loans with proceeds of \$11.4 million. In 2024, the Bank and GRMC sold to unrelated third parties residential mortgage loans with proceeds of \$21.3 million and \$3.9 million, respectively. In 2025, gains on these sales totaled \$297,000 for the Bank. In 2024, gains on these sales totaled \$552,000 for the Bank and \$53,000 for GRMC. There is no substantive continuing involvement related to these loans.

Other Real Estate Owned

Real estate properties acquired through or in lieu of loan foreclosure are to be sold and are initially recorded at fair value less estimated selling costs at the date of foreclosure, establishing a new cost basis. Physical possession of residential real estate property collateralizing a consumer mortgage loan occurs when legal title is obtained upon completion of foreclosure or when the borrower conveys all interest in the property to satisfy the loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Subsequent to foreclosure, valuations are periodically performed by management and the real estate is carried at the lower of carrying amount or fair value less costs to sell. Revenues and expenses from operations and changes in the valuation allowance are included in net expenses from foreclosed assets, a component of other noninterest expense. As of December 31, 2025, and 2024, the Company had no foreclosed real estate properties or properties in the process of foreclosure.

Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation. Depreciation is computed principally by the straight-line method based upon the estimated useful lives of the assets, which range generally from 3 to 8 years for equipment and the shorter of the lease term or the estimated useful life for leasehold improvements. Major improvements are capitalized and appropriately amortized based upon the useful lives of the related assets or the expected terms of the leases, if shorter, using the straight-line method. Maintenance, repairs, and minor alterations are charged to current operations as expenditures occur. Management annually reviews these assets to determine whether carrying values have been impaired.

Notes to Consolidated Financial Statements

Share-Based Compensation

The cost of employee services or certain performance metrics received in exchange for awards of equity instruments are recognized based on the grant-date fair value of those awards. An expense equal to the fair value of the awards over the requisite service period of the awards is recognized in the consolidated statements of operations.

The Company estimates the per share fair value of option grants on the date of grant using the Black-Scholes pricing model using assumptions for the expected dividend yield, expected stock price volatility, risk-free interest rate and expected option term. These assumptions are subjective in nature, involve uncertainties and, therefore, cannot be determined with precision. The Black-Scholes option pricing model also contains certain inherent limitations when applied to options that are not traded on public markets. The per share fair value of options is highly sensitive to changes in assumptions. The use of different assumptions or different option pricing models could result in materially different per share fair values of options.

The Company estimated the fair value of restricted stock awards based upon the quoted market price of the common stock on the date of grant.

Mortgage Banking Derivatives

Commitments to fund mortgage loans (interest rate locks) to be sold into the secondary market and mandatory and best-efforts sales commitments for the future delivery of these mortgage loans are accounted for as freestanding derivatives. The fair value of the interest rate lock is recorded at the time the commitment is executed and is adjusted for the expected exercise of the commitment before the loan is funded. In order to hedge the change in interest rates resulting from its commitments to fund loans, the Bank enters into forward commitments for the future delivery of mortgage loans when the interest rate locks are entered into. Fair values of these mortgage derivatives are estimated based on changes in mortgage interest rates from the date the interest on the loan is locked. Changes in the fair values of these derivatives are included in net gain on sales of residential mortgage loans included in the consolidated statements of operations and is not material.

Income Taxes

Deferred income tax assets and liabilities are computed annually for differences between the financial statement and federal income tax basis of assets and liabilities that will result in taxable or deductible amounts in the future, based on enacted tax laws and rates applicable to the period in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce the deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus, or minus the change during the period in deferred tax assets and liabilities.

Notes to Consolidated Financial Statements

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of a tax benefit that is greater than 50% likely to be realized in the examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

Revenue Recognition

Revenues are recognized as they are earned based on contractual terms, as transactions occur, or as services are provided and collectability is reasonably assured. The primary source of revenue is interest income from the Bank's loans and investment securities. Noninterest revenue is also earned from various banking services offered by the Bank.

Interest Income: The Company's largest source of revenue is interest income, which is primarily recognized on an accrual basis based on contractual terms written into loans and investment contracts.

Noninterest Income: The Company derives the majority of its noninterest revenue from: (1) gains related to mortgage loan sales, (2) service charges for deposit related services, and (3) debit and credit card interchange income. Most of these services are transaction based and revenue is recognized as the related service is provided.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale investment securities, are reported as a separate component of the equity section of the consolidated balance sheets. Such items, along with net income, are components of accumulated other comprehensive income.

Off-Balance Sheet Credit Related Financial Instruments and Related Allowance for Credit Losses

Some financial instruments, such as loan commitments, credit lines, letters of credit, and overdraft protection, are issued to meet customers' financing needs. These are agreements to provide credit or to support the credit of others as long as conditions established in the contract are met and usually have expiration dates. Commitments may expire without being used. Off-balance sheet credit risk exists up to the face amount of these instruments.

The Company also considers expected credit losses associated with loan commitments. Any allowance for off-balance sheet credit exposures is reported as other liabilities on the consolidated balance sheet and is increased or decreased via the credit loss expense (reversal) line item on the consolidated statement of operations. The calculation includes consideration of the likelihood that funding will occur and forecasted credit losses on commitments expected to be funded over their estimated lives. The allowance is calculated using the same methodology, inputs, and assumptions as the funded portion of loans at the pool level applied to the amount of commitments expected to be funded.

Notes to Consolidated Financial Statements

Net Income per Share

Basic earnings per share are computed by dividing net income by the weighted average number of common shares outstanding during the year. The weighted average numbers of common shares outstanding totaled 7,038,953 for 2025 and 7,039,280 for 2024. Common stock equivalents related to the convertible debt described in Note 13 were anti-dilutive in 2025 and 2024 and therefore were excluded from the diluted earnings per share for both years. Common stock options described in Note 8 were also anti-dilutive in both 2025 and 2024 and were excluded from the computation of diluted earnings per share for both periods.

Subsequent Events

The Company has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to December 31, 2025, the most recent balance sheet presented herein, through the date these consolidated financial statements were available to be issued.

Subsequent to December 31, 2025, the Company entered into a lease agreement for its Wilson banking branch facility. The lease agreement was executed on January 1, 2026, and has an initial lease term of 1 year with the option to renew for 2 additional years, commencing on January 1, 2026.

The lease requires monthly payments of approximately \$14,000, subject to customary adjustments for operating expenses. The Company expects to account for the lease as an operating lease upon commencement and record a right-of-use asset and corresponding liability at that time.

Because the lease agreement was executed after December 31, 2025, no amounts related to this lease are reflected in the accompanying consolidated financial statements.

2. DISCONTINUED OPERATIONS

In the fourth quarter of 2021, the Company approved the formation of Grand River Mortgage Company, LLC (“GRMC”), a wholly-owned subsidiary of the Bank, to operate a direct-to-consumer residential mortgage origination operation with a national footprint.

Although operating losses were expected during the start-up phase, GRMC was unable to achieve projected profitability and incurred persistent losses. The underperformance was primarily attributable to the rapid rise in market interest rates triggered by the Federal Reserve, which significantly reduced loan demand, origination volume, and related revenue. In the third quarter of 2023, the Company raised additional capital through a subordinated convertible debt offering to support GRMC, enhance the Bank’s capital to support ongoing growth, and for general corporate purposes. That offering is described in Note 8. Revisions to the GRMC business plan and significant cost reduction measures did not result in sufficient improvement in performance. As a result, in the fourth quarter of 2023, the Board of Directors approved the wind-down of GRMC’s operations.

GRMC’s operating activities were substantially completed during the fourth quarter of 2023. Limited personnel were retained into 2024 to liquidate the remaining loan pipeline and complete administrative wind-down activities. The final employee was released in August 2024. No one-time employee termination benefits were recognized in 2024 or 2025.

In 2023, GRMC’s right-of-use lease assets and related lease liabilities, prepaid assets, and software assets were written off. In addition, furniture and equipment were evaluated for impairment and written down to their estimated fair values at that time. Additional impairment expense of \$18,000 related to these assets was recognized in 2024. Expenses were accrued for known outstanding commitments as of December 31, 2024. No material additional wind-down costs were incurred in 2025.

As of the date of these financial statements, GRMC has no ongoing business operations, and the Company has no continuing involvement with GRMC. The ultimate disposition of GRMC as a legal entity remains under evaluation.

GRAND RIVER COMMERCE, INC.

Notes to Consolidated Financial Statements

The carrying amounts of major classes of assets and liabilities included as part of discontinued operations at December 31 are summarized as follows (dollars in thousands):

	2025	2024
Assets		
Cash and due from banks	\$ 2	\$ 10
Premises and equipment, net	3	7
Total assets of discontinued operations	\$ 5	\$ 17
Liabilities		
Interest payable and other liabilities	\$ 339	\$ 339

Intercompany balances eliminated in consolidation, principally intercompany loans from the Bank to GRMC to fund mortgages held for sale and working capital, are excluded from the above presentation. As of December 31, 2025 and 2024, intercompany loan balances totaled \$1.7 million.

The major classes of income and expenses of GRMC included in discontinued operations for the year ended December 31 are summarized as follows (dollars in thousands):

	2025	2024
Interest income		
Loans, including fees	\$ -	\$ 12
Noninterest income		
Mortgage banking loss	-	(4)
Other	1	2
Total income	1	10
Non-interest expenses		
Salaries and benefits	(3)	159
Occupancy and equipment	3	10
Professional services	13	53
Software	(1)	7
Loan processing	-	(126)
Other	-	18
Total non-interest expenses	12	121
Loss before income tax benefit	(11)	(111)
Income tax benefit	2	26
Net loss on discontinued operations	\$ (9)	\$ (85)

Intercompany accounts eliminated in consolidation, principally intercompany loans from the Bank to GRMC to fund mortgages held for sale and working capital, are excluded from the above presentation. Interest expense related to these loans was \$0 in 2025 and \$12,000 in 2024.

3. FAIR VALUE MEASUREMENTS

The Company utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Available-for-sale investment securities and mortgage banking derivatives are recorded at fair value on a recurring basis. Additionally, from time to time, the Company may be required to record at fair value other assets on a nonrecurring basis, such as collateral dependent loans, foreclosed assets, and certain other assets and liabilities. These nonrecurring fair value adjustments typically involve the application of lower of cost or market accounting or write down of individual assets.

Following is a description of the valuation methodologies and key inputs used to measure financial assets and liabilities recorded at fair value, which includes an indication of the level of the fair value hierarchy in which the assets or liabilities are classified.

Investment Securities

Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are unavailable, fair values are based on quoted market prices of comparable instruments or other model based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss and liquidity assumptions. As such, all investment securities are classified as Level 2.

Impaired Loans

The fair value of impaired loans with individually analyzed reserves in the allowance for credit losses is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments can be significant and typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. Collateral-dependent loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

The preceding methods described may produce a fair value calculation that is not indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

GRAND RIVER COMMERCE, INC.

Notes to Consolidated Financial Statements

Assets Recorded at Fair Value on a Recurring Basis

As of December 31, 2025 and 2024, there were \$16.8 million and \$12.4 million, respectively, of marketable securities recorded in Level 2 of the fair value hierarchy and measured at fair value on a recurring basis.

Assets Recorded at Fair Value on a Nonrecurring Basis

Impaired loans as of December 31, 2025 and 2024, which are measured for impairment using the fair value of the collateral for collateral dependent loans, had a carrying amount of \$2.7 million and \$1.5 million, respectively, with individually analyzed reserves in the allowance for credit losses of \$190,000 and \$33,000 for 2025 and 2024, respectively.

Estimated Fair Values of Financial Instruments Not Recorded at Fair Value in their Entirety on a Recurring Basis

The carrying amount and estimated fair value of financial instruments not recorded at fair value in their entirety on a recurring basis on the Company's consolidated balance sheets are as follows as of December 31 (dollars in thousands):

	Carrying Amount	Fair Value Measurement at December 31, 2025 Using:			
		Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	\$ 46,623	\$ 46,623	\$ -	\$ -	\$ 46,623
Restricted investments	4,069	-	4,069	-	4,069
Loans held for sale	734	-	750	-	750
Net loans	440,655	-	-	429,412	429,412
Interest receivable	1,525	-	1,525	-	1,525
Financial liabilities					
Noninterest-bearing deposits	\$ 88,031	\$ 88,033	\$ -	\$ -	\$ 88,033
Interest-bearing deposits	356,768	-	346,323	-	346,323
Federal Home Loan Bank advances	17,500	-	17,500	-	17,500
Subordinated debt - callable	8,121	-	8,065	-	8,065
Subordinated debt - convertible	7,562	-	-	7,562	7,562
Interest payable	725	-	725	-	725

GRAND RIVER COMMERCE, INC.

Notes to Consolidated Financial Statements

	Carrying Amount	Fair Value Measurement at December 31, 2024 Using:			
		Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	\$ 23,523	\$ 23,523	\$ -	\$ -	\$ 23,523
Restricted investments	3,657	-	3,657	-	3,657
Loans held for sale	497	-	509	-	509
Net loans	474,822	-	-	448,530	448,530
Interest receivable	1,486	-	1,486	-	1,486
Financial liabilities					
Noninterest-bearing deposits	\$ 89,828	\$ 89,828	\$ -	\$ -	\$ 89,828
Interest-bearing deposits	345,293	-	336,864	-	336,864
Federal Home Loan Bank advances	35,500	-	35,500	-	35,500
Subordinated debt - callable	8,096	-	7,542	-	7,542
Subordinated debt - convertible	7,429	-	-	7,429	7,429
Interest payable	691	-	691	-	691

The estimated fair values of financial instruments disclosed above as of December 31, 2025 and 2024 follow the guidance in ASU No. 2016-01 which prescribes an “exit price” approach in estimating and disclosing fair value of financial instruments incorporating discounts for credit, liquidity, and marketability factors.

GRAND RIVER COMMERCE, INC.

Notes to Consolidated Financial Statements

4. INVESTMENT SECURITIES

The amortized cost and fair value of available-for-sale debt securities including gross unrealized gains and losses, are summarized as follows as of December 31 (dollars in thousands):

2025	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mortgage-backed securities	\$ 7,737	\$ -	\$ 1,033	\$ 6,704
Collateralized mortgage obligation securities	3,218	24	-	3,242
Small business administration program securities	5,190	-	562	4,628
Municipal securities	1,938	-	132	1,806
Corporate securities	500	-	35	465
Total	\$ 18,583	\$ 24	\$ 1,762	\$ 16,845

2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mortgage-backed securities	\$ 8,689	\$ -	\$ 1,567	\$ 7,122
Collateralized mortgage obligation securities	11	-	-	11
Small business administration program securities	3,968	-	729	3,239
Municipal securities	1,872	-	212	1,660
Corporate securities	500	-	101	399
Total	\$ 15,040	\$ -	\$ 2,609	\$ 12,431

GRAND RIVER COMMERCE, INC.

Notes to Consolidated Financial Statements

All securities are held as available-for-sale. The amortized cost and fair value of securities grouped by contractual maturity are summarized as follows as of December 31 (dollars in thousands):

2025	Amortized Cost	Fair Value Value
Available-for-sale		
Within one year	\$ -	-
One to five years	1,625	1,510
Five to ten years	813	761
Mortgage-backed securities	7,737	6,704
Collateralized mortgage obligation securities	3,218	3,242
Small business administration program securities	5,190	4,628
Total	<u>\$ 18,583</u>	<u>\$ 16,845</u>
2024		
Available-for-sale		
Within one year	\$ -	-
One to five years	-	-
Five to ten years	2,372	2,059
Mortgage-backed securities	8,689	7,122
Collateralized mortgage obligation securities	11	11
Small business administration program securities	3,968	3,239
Total	<u>\$ 15,040</u>	<u>\$ 12,431</u>

There were no sales of investment securities during 2025 or 2024.

GRAND RIVER COMMERCE, INC.

Notes to Consolidated Financial Statements

Securities pledged at year-end December 31, 2025 and 2024 had a carrying amount of \$16,284 and \$0, respectively, and were pledged as collateral to the Federal Reserve Bank and the Federal Home Loan Bank.

As of December 31, 2025 and 2024, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of shareholders' equity.

Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations. Because of their variable monthly payment, mortgage-backed securities, collateralized mortgage obligations securities, and small business administration program securities are not reported by a specific maturity category.

The following tables summarize debt securities available-for-sale in an unrealized loss position for which an allowance for credit losses has not been recorded at December 31, 2025 and 2024, aggregated by major security type and length of time in a continuous unrealized loss position (dollars in thousands):

2025	Less than 12 Months		Over 12 Months		Total	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Losses
Mortgage-backed securities	\$ -	\$ -	\$ 6,704	\$ 1,033	\$ 6,704	\$ 1,033
Small business administration program securities	-	-	4,628	562	4,628	562
Municipal securities	90	-	1,716	132	1,806	132
Corporate securities	-	-	465	35	465	35
Total	\$ 90	\$ -	\$ 13,513	\$ 1,762	\$ 13,603	\$ 1,762

GRAND RIVER COMMERCE, INC.

Notes to Consolidated Financial Statements

2024	Less than 12 Months		Over 12 Months		Total	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Losses
Mortgage-backed securities	\$ -	\$ -	\$ 7,122	\$ 1,567	\$ 7,122	\$ 1,567
Small business administration program securities			3,239	729	3,239	729
Municipal securities	-	-	1,660	212	1,660	212
Corporate securities	-	-	399	101	399	101
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,420</u>	<u>\$ 2,609</u>	<u>\$ 12,420</u>	<u>\$ 2,609</u>

As of December 31, 2025 and 2024, no allowance for credit losses has been recognized on available-for-sale securities in an unrealized loss position. Management does not expect any credit losses on these portfolios, does not intend to sell the securities, and believes it is unlikely that the Company will be required to sell them before their anticipated recovery. The decline in fair value is primarily due to changes in interest rates and other market conditions. The issuers continue to make timely payments, and the fair value is expected to recover as the securities approach maturity. Furthermore, management does not intend to sell any of these securities and considers it is more likely than not that the Company will not have to sell them before recovering their cost.

As of December 31, 2025 and 2024, the Company's security portfolio consisted of 35 and 30 securities, of which 33 and 30 were in an unrealized loss position, respectively.

GRAND RIVER COMMERCE, INC.

Notes to Consolidated Financial Statements

5. LOANS AND ALLOWANCE FOR CREDIT LOSSES

The components of the outstanding loan balances are summarized as follows at December 31 (dollars in thousands):

	2025	2024
Commercial and industrial	\$ 39,466	\$ 41,958
Commercial real estate		
Commercial	315,072	326,060
Construction and land development	5,450	17,186
Total commercial real estate	320,522	343,246
Consumer		
Residential real estate and other	82,955	89,999
Construction	2,714	4,759
Total consumer	85,669	94,758
Gross loans	445,657	479,962
Allowance for credit losses	5,002	5,140
Total loans, net	\$ 440,655	\$ 474,822

The following table presents the activity in the allowance for credit losses by portfolio segment for the years ended December 31, 2025 and 2024 (dollars in thousands):

	Commercial and Industrial	Commercial Real Estate	Consumer	Unallocated	Total
<u>December 31, 2025</u>					
Allowance for credit losses:					
Beginning balance	\$ 401	\$ 3,895	\$ 844	\$ -	\$ 5,140
Loans charged-off	(8)	-	(1)	-	(9)
Recoveries collected	-	-	-	-	-
Credit loss expense (reversal)	47	(230)	54	-	(129)
Total ending allowance balance	\$ 440	\$ 3,665	\$ 897	\$ -	\$ 5,002

GRAND RIVER COMMERCE, INC.

Notes to Consolidated Financial Statements

	Commercial and Industrial	Commercial Real Estate	Consumer	Unallocated	Total
<u>December 31, 2024</u>					
Allowance for credit losses:					
Beginning balance	\$ 398	\$ 4,141	\$ 873	\$ -	\$ 5,412
Loans charged-off	(43)	-	(1)	-	(44)
Recoveries collected	-	-	-	-	-
Credit loss expense (reversal)	46	(246)	(28)	-	(228)
Total ending allowance balance	\$ 401	\$ 3,895	\$ 844	\$ -	\$ 5,140

The Bank categorizes commercial loans into risk categories based on relevant information about the ability of borrowers to service their debt such as the following: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Bank analyzes loans individually by classifying the loans according to credit risk.

These risk ratings are also subject to examination by the Bank's regulators. During the internal reviews, management monitors and analyzes the financial condition of borrowers and guarantors, trends in the industries in which the borrowers operate and the fair values of collateral securing the loans. These credit quality indicators are used to assign a risk rating to each individual loan. The risk ratings can be grouped into nine major categories, defined as follows:

- **Pass.** Meets the qualities of the definition of loan grades 1-5 listed below.
 - **Prime Rating-1.** Borrower demonstrates exceptional credit fundamentals, including stable and predictable profit margins and cash flows, strong liquidity, and a conservative balance sheet with superior asset quality. Historic and projected performance indicates that borrower is able to meet obligations under almost any economic circumstance.
 - **High Quality-2.** Borrower consistently and internally generates sufficient cash flow to fund debt service. Management has successful experience with this company or with similar business activities in a similar market. Current and projected trends are positive and superior. Management breadth and depth indicate a high degree of stability.
 - **Average Quality-3.** Balance sheet is comprised of good capital base, acceptable leverage, and liquidity. Ratios are at or slightly above peers. Operations generate sufficient cash to fund debt service and some working assets or capital expansion. Loans have excellent collateral with standard advance rates. Current trends are positive or stable.

Notes to Consolidated Financial Statements

- **Acceptable Quality-4.** Borrower generates sufficient cash flow to fund debt service, but most working assets and all capital expansion needs are funded by other sources. Borrower is able to meet interest payments but could not term out evergreen credit lines in a reasonable period of time. Earnings may be trending down; a loss may be shown indicating some volatility in earnings. However, management is acceptable and long-term trends are positive or neutral. Borrower may be able to obtain similar financing from other institutions.
- **Watch-5.** Borrowers may exhibit declining earnings, strained cash flow, increasing leverage, and/or weakening market position. They generally have limited additional debt capacity, modest coverage, and/or weakness in asset quality. Loans may be currently performing as agreed but could be adversely affected by factors such as deteriorating economic conditions, operating problems, pending litigation, or declining value of collateral. Management may be of good character, but weak in other respects. Borrower may have some limited ability to obtain similar financing with comparable or somewhat worse terms at other lending institutions.
- **Special Mention-6.** Loans classified as special mention have a potential for weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the Bank's credit position at some future date.
- **Substandard-7.** Loans classified as substandard are inadequately protected by the current net worth and repayment capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.
- **Doubtful-8.** Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristics that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.
- **Loss-9.** Loans are considered uncollectible and of little or no value as a Bank asset. Such loans are charged off when classified as loss.

Non-accrual loans and loans past due 90 days or more still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans. Impaired loans include commercial loans that are individually evaluated for impairment and deemed impaired (i.e., individually classified impaired loans). The sum of non-accrual loans and loans past due over 90 days will differ from the total impaired loan amount.

Notes to Consolidated Financial Statements

Credit Quality Indicators

Based on the analysis performed as of December 31, 2025, the risk category of commercial loans by class of loans is as follows (dollars in thousands):

	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans	Total
	2025	2024	2023	2022	2021	Prior		
As of December 31, 2025								
Commercial and Industrial:								
Risk Rating								
Pass	\$ 5,826	\$ 2,696	\$ 3,751	\$ 3,278	\$ 3,173	\$ 92	\$ 16,798	\$ 35,614
Special Mention	2,300	1,052	-	-	-	-	40	3,392
Substandard	-	-	-	410	-	-	50	460
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Total	\$ 8,126	\$ 3,748	\$ 3,751	\$ 3,688	\$ 3,173	\$ 92	\$ 16,888	\$ 39,466
Current period								
gross write-offs	\$ -	\$ -	\$ -	\$ 8	\$ -	\$ -	\$ -	\$ 8
Commercial Real Estate - Commercial:								
Risk Rating								
Pass	\$ 34,553	\$ 25,771	\$ 33,456	\$ 80,052	\$ 76,974	\$ 55,236	\$ 6,896	\$ 312,938
Special Mention	-	200	506	348	1,025	-	55	2,134
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-
Total	\$ 34,553	\$ 25,971	\$ 33,962	\$ 80,400	\$ 77,999	\$ 55,236	\$ 6,951	\$ 315,072
Current period								
gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

GRAND RIVER COMMERCE, INC.

Notes to Consolidated Financial Statements

Based on the analysis performed as of December 31, 2024, the risk category of commercial loans by class of loans is as follows (dollars in thousands):

	Term Loans Amortized Cost Basis by Origination Year					Total
	2024	2023	2022	2021	Prior	
As of December 31, 2024						
Commercial and Industrial:						
Risk Rating						
Pass	\$ 5,638	\$ 5,700	\$ 4,705	\$ 4,557	\$ 888	\$ 20,010
Special Mention	-	-	-	-	-	-
Substandard	-	-	410	-	-	50
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	\$ 5,638	\$ 5,700	\$ 5,115	\$ 4,557	\$ 888	\$ 20,060
Current period gross write-offs	\$ -	\$ -	\$ 43	\$ -	\$ -	\$ -
						43
Commercial Real Estate - Commercial:						
Risk Rating						
Pass	\$ 31,001	\$ 41,695	\$ 85,848	\$ 84,957	\$ 78,589	\$ 2,868
Special Mention	-	-	-	1,102	-	-
Substandard	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	\$ 31,001	\$ 41,695	\$ 85,848	\$ 86,059	\$ 78,589	\$ 2,868
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
						324,958
						1,102
						326,060

Notes to Consolidated Financial Statements

Commercial Real Estate - Construction and Land Development:

Risk Rating	2024	2023	2022	2021	Prior	Revolving Loans	Total
Pass	\$ 9,001	\$ 7,170	\$ 901	\$ -	\$ 114	\$ -	\$ 17,186
Special Mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-
Total	\$ 9,001	\$ 7,170	\$ 901	\$ -	\$ 114	\$ -	\$ 17,186
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

For consumer loans, a loan is considered performing if loan payments are timely. The following table presents the recorded investment in consumer loans based on payment activity and class as of December 31, 2024 (dollars in thousands).

	Term Loans Amortized Cost Basis by Origination Year				Revolving Loans	Total
	2024	2023	2022	2021		
Consumer Residential Real Estate and Other:						
Performing	\$ 2,909	\$ 13,026	\$ 23,006	\$ 21,023	\$ 19,918	\$ 10,117
Non-Performing	-	-	-	-	-	-
Total	\$ 2,909	\$ 13,026	\$ 23,006	\$ 21,023	\$ 19,918	\$ 10,117
Current period gross write-offs	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ 1
Consumer Construction:						
Performing	\$ 2,136	\$ 1,706	\$ 769	\$ 72	\$ 76	\$ -
Non-Performing	-	-	-	-	-	-
Total	\$ 2,136	\$ 1,706	\$ 769	\$ 72	\$ 76	\$ -
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

GRAND RIVER COMMERCE, INC.

Notes to Consolidated Financial Statements

As of December 31, 2025 and 2024, the Bank had recorded investment in non-accrual loans of \$913,000 and \$460,000, respectively. As of December 31, 2025, \$453,000 of the non-accrual loan balance was classified as consumer loans and \$460,000 was classified as commercial and industrial loans. As of December 31, 2024, the entire non-accrual balance was classified as commercial and industrial loans. An allowance for credit losses has been recorded for all non-accrual loans as of both dates. Interest income on non-accrual loans was not material in 2025 or 2024. There were no loans past due more than 90 days and still accruing interest as of December 31, 2025 and 2024.

The following tables present the amortized cost basis of collateral-dependent loans by class of loans as of December 31, 2025 and 2024 (dollars in thousands):

	2025		2024	
	Real Estate	General Business Assets	Real Estate	General Business Assets
Commercial				
Commercial and industrial	\$ -	\$ 460	\$ -	\$ 460
Commercial real estate	1,786	-	-	1,786
Other				
Consumer	-	-	453	453
Total	\$ 1,786	\$ 460	\$ 453	\$ 2,699
	Real Estate	General Business Assets	Real Estate	General Business Assets
Commercial				
Commercial and industrial	\$ -	\$ 460	\$ -	\$ 460
Commercial real estate	1,102	-	-	1,102
Other				
Consumer	-	-	354	354
Total	\$ 1,102	\$ 460	\$ 354	\$ 1,916

GRAND RIVER COMMERCE, INC.

Notes to Consolidated Financial Statements

The following table presents the aging of the recorded investments in past due loans as of December 31, 2025 and 2024 by class of loans (dollars in thousands):

	Commercial and Industrial	Commercial Real Estate	Commercial Real Estate Construction and Land Development	Consumer Residential Real Estate and Other	Consumer Construction	Total Loans
2025						
30-60 days past due	\$ 228	\$ -	\$ -	\$ 61	\$ -	\$ 289
61-90 days past due	300	1,344	-	603	-	2,247
Greater than 90 days	460	-	-	453	-	913
Total past due	988	1,344	-	1,117	-	3,449
Current	38,478	313,728	5,450	81,838	2,714	442,208
Total loans	\$ 39,466	\$ 315,072	\$ 5,450	\$ 82,955	\$ 2,714	\$ 445,657
	Commercial and Industrial	Commercial Real Estate	Commercial Real Estate Construction and Land Development	Consumer Residential Real Estate and Other	Consumer Construction	Total Loans
2024						
30-60 days past due	\$ -	\$ 30	\$ -	\$ 110	\$ -	\$ 140
61-90 days past due	-	-	-	119	-	119
Greater than 90 days	460	-	-	-	-	460
Total past due	460	30	-	229	-	719
Current	41,498	326,030	17,186	89,770	4,759	479,243
Total loans	\$ 41,958	\$ 326,060	\$ 17,186	\$ 89,999	\$ 4,759	\$ 479,962

GRAND RIVER COMMERCE, INC.

Notes to Consolidated Financial Statements

The following table presents the period-end amortized cost basis of modifications to borrowers experiencing financial difficulty by type of modification made during the year end December 31, 2025 (dollars in thousands):

2025	Interest Rate Reduction	Term Extension	Principal Forgiveness	Total
Commercial				
Real estate - Multi-family	\$ -	\$ 423	\$ -	\$ 423
Real estate - 1-4 family residential rentals	-	339	-	339
Total loans	\$ -	\$ 762	\$ -	\$ 762

Loans classified as term extensions were generally granted maturity extensions in connection with related forbearance agreements.

The Company closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table presents the performance of such loans that have been modified in the past twelve months to borrowers experiencing financial difficulty by payment status and loan segment (dollars in thousands):

2025	Current	30-60 days past due	61-90 days past due	90+ days past due	Total
Commercial					
Real estate - Multi-family	\$ 55	\$ -	\$ 368	\$ -	\$ 423
Real estate - 1-4 family	-	-	339	-	339
Total loans	\$ 55	\$ -	\$ 707	\$ -	\$ 762

None of the modified loans were on non-accrual status as of year-end.

The Bank had no commitments to lend additional funds to borrowers whose loans were modified during the year ended December 31, 2025.

The Bank did not modify any loans to borrowers experiencing financial difficulty during the year end December 31, 2024.

GRAND RIVER COMMERCE, INC.

Notes to Consolidated Financial Statements

6. PREMISES AND EQUIPMENT

Major classifications of premises and equipment are summarized as follows at December 31 (dollars in thousands):

	2025	2024
Leasehold improvements	\$ 1,660	\$ 1,661
Furniture, fixtures, and equipment	2,327	2,454
Accumulated depreciation/amortization	<u>(2,907)</u>	<u>(2,765)</u>
Premises and equipment, net	<u>\$ 1,080</u>	<u>\$ 1,350</u>

Depreciation and amortization expense from continuing operations was \$342,000 and \$386,000 for 2025 and 2024, respectively.

7. DEPOSITS

The components of outstanding deposit balances as of December 31 are as follows (dollars in thousands):

	2025	2024
Noninterest-bearing		
Demand	\$ 88,031	\$ 89,828
Interest-bearing		
Checking	45,096	39,061
Savings	143,527	140,584
Time, \$250,000 and under	135,429	129,932
Time, over \$250,000	<u>32,716</u>	<u>35,716</u>
Total deposits	<u>\$ 444,799</u>	<u>\$ 435,121</u>

Scheduled maturities of time deposits as of December 31, 2025, are as follows (dollars in thousands):

Year	Amount
2026	\$ 122,378
2027	28,721
2028	11,489
2029	5,480
2030	<u>77</u>
Total	<u>\$ 168,145</u>

Notes to Consolidated Financial Statements

8. BORROWED FUNDS (Including Subsequent Event)

Federal Funds Borrowed Lines

As of December 31, 2025, and December 31, 2024, the Bank had available \$19 million in unsecured Federal Funds lines of credit with correspondent banks. No amounts were outstanding on these lines for either period.

Federal Reserve Bank Borrowings

The Bank pledges eligible agricultural and commercial and industrial loans to secure a borrowing arrangement with the Federal Reserve Bank of Chicago. Borrowing capacity under this arrangement totaled \$13.8 million and \$13.7 million as of December 31, 2025 and 2024, respectively, with no balance outstanding for either year.

Federal Home Loan Bank of Indianapolis

The Bank pledges eligible real estate loans to secure a borrowing arrangement with the Federal Home Loan Bank of Indianapolis. Borrowing capacity totaled \$101.3 million and \$106.7 million as of December 31, 2025 and 2024, respectively. As of December 31, 2025, the Bank had 2 outstanding advances supported by this collateral totaling \$17.5 million. As of December 31, 2024, the Bank had 5 outstanding advances supported by this collateral totaling \$35.5 million. Further detail of the advances outstanding as of December 31 is as follows (dollars in thousands):

Maturity Year	2025		2024	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate
2025	\$ -	0.00%	\$ 18,000	4.51%
2026	10,000	4.15%	10,000	4.15%
2027	7,500	4.82%	7,500	4.82%
Total	\$ 17,500	4.44%	\$ 35,500	4.47%

As of the date of these consolidated financial statements, all advances that had 2026 maturities as of December 31, 2025 have matured and been refinanced.

Notes to Consolidated Financial Statements

Subordinated Debt - Callable and Convertible**Subordinated Debt - Callable**

In October 2020, the Company issued \$8.25 million of subordinated debt ("Notes") with an outstanding balance, net of unamortized issuance cost, of \$8.12 million and \$8.10 million at December 31, 2025 and 2024, respectively. The interest rate is fixed at 5.50%, payable semi-annually on June 30th and December 31st of each year, beginning on December 31, 2020, until December 31, 2025, at which time it converts to the 3-month Secured Overnight Financing Rate (SOFR) plus 5.38% (rate would be 9.25% based on December 31, 2025 3-month SOFR and 9.69% based on December 31, 2024 3-month SOFR), with interest payable quarterly in arrears on March 31st, June 30th, September 30th, and December 31st of each year. Final maturity is December 2030, however, in accordance with the terms of the Notes the Company has the option to call the debt at par following the fifth anniversary. This debt is carried on the consolidated balance sheets net of issuance costs, which are amortized over the life of the instrument. As of December 31, 2025 and 2024, the unamortized cost balances were \$129,000 and \$154,000, respectively.

The Company incurred approximately \$263,000 of debt issuance costs relating to the issuance of the Notes, which were recorded as a reduction to the Notes on the consolidated balance sheets. The debt issuance costs are being amortized and recognized as additional interest expense over the expected life of the Notes using the effective interest rate method. The Company determined the expected life of the debt is equal to the 10-year term of the Note. The effective interest rate on the Notes as of December 31, 2025 is 9.56% and was 5.81% as of December 31, 2024.

Non-Convertible Notes payable consisted of the following at December 31 (dollars in thousands):

	2025	2024
Principal amount of Notes	\$ 8,250	\$ 8,250
Unamortized debt issuance costs	(129)	(154)
Net carrying amount	\$ 8,121	\$ 8,096

Interest expense incurred in connection with Non-Convertible Notes consisted of the following at December 31 (dollars in thousands):

	2025	2024
Coupon interest	\$ 454	\$ 454
Amortization of debt issuance costs	25	25
Total interest expense on notes	\$ 479	\$ 479

On December 31, 2030, the gross principal balance of \$8.25 million is due on the Company's Non-Convertible Note.

Convertible Debt

In September 2023, the Company issued \$7.65 million of convertible subordinated debt. The interest rate is fixed at 9.00%, payable quarterly in arrears on January 1st, April 1st, July 1st, and October 1st of each year, beginning on October 1, 2023. The debt will mature on September 1, 2026, unless it is repurchased, redeemed, or converted earlier in accordance with the terms of the Notes. The Notes comprise the Company's senior, unsecured obligations and are (i) equal in right of payment with the Company's existing and future senior, unsecured indebtedness;(ii) senior in right of payment to the Company's existing and future indebtedness that is expressly subordinated to the Notes; (iii) effectively subordinated to the Company's existing and future secured indebtedness, to the extent of the value of the collateral securing that indebtedness; and (iv) structurally subordinated to all existing and future indebtedness and other liabilities, including trade payables, and (to the extent the Company is not a holder thereof) preferred equity, if any, of the Company's subsidiaries.

At any time before the maturity date, the Company has the option to prepay the debt and holders of the Notes may convert the debt to common stock at a conversion rate of 70% of the prior quarter end's tangible book value. As of December 31, 2025, the notes were convertible into approximately 2.1 million shares of the Company's common stock, representing 280.662 shares per \$1,000 of principal. This corresponds to an implied conversion price of approximately \$3.56 per share. As of December 31, 2024, the notes were convertible into approximately 2.2 million shares of the Company's common stock, representing 285.144 shares per \$1,000 of principal. This corresponds to an implied conversion price of approximately \$3.51 per share.

The debt will automatically convert into common stock at maturity, based on a conversion rate equal to 70% of tangible book value at the end of the prior quarter. On the consolidated balance sheet, the debt is presented net of issuance costs which are amortized over the instrument's life. As of December 31, 2025, the outstanding balance was \$7.65 million, with unamortized debt issuance costs of \$88,000. As of December 31, 2024, the outstanding balance was \$7.65 million, with unamortized debt issuance costs of \$221,000. Interest expense related to the notes was \$689,000 in both 2025 and 2024.

The Notes contain customary terms and events of default. If an event of default arising out of certain events of bankruptcy, insolvency, or reorganization involving the Company or a significant subsidiary (as set forth in the Indenture) occurs with respect to the Company, the principal amount of the Notes and accrued and unpaid interest, if any, will automatically become immediately due and payable. If any other event of default (as defined in the Indenture) occurs and is continuing, either the Trustee or the holders of not less than two-thirds of the principal amount of and all accrued but unpaid interest on all the outstanding Notes may declare the principal amount of the Notes to be due and payable immediately by notice to the Company. There were no events of default as of December 31, 2025, or December 31, 2024.

Notes to Consolidated Financial Statements

The Notes are accounted for in accordance with ASC 470-20, Debt—Debt with Conversion and Other Options (“ASC 470-20”) and ASC 815-40, Derivatives and Hedging—Contracts in Entity’s Own Equity (“ASC 815-40”). Under ASC 815-40, to qualify for equity classification (or nonbifurcation, if embedded), the instrument (or embedded feature) must be both (1) indexed to the issuer’s stock and (2) meet the requirements of the equity classification guidance. Based upon the Company’s analysis, it was determined the Notes do contain embedded features indexed to their own stock, but do not meet the requirements for bifurcation, and therefore do not need to be separately accounted for as an equity component. Accordingly, the proceeds received from the issuance of the convertible debt were recorded as a liability on the consolidated balance sheet.

The Company incurred approximately \$398,000 of debt issuance costs relating to the issuance of the Convertible Notes, which were recorded as a reduction to the Notes on the consolidated balance sheet. The debt issuance costs are being amortized and recognized as additional interest expense over the expected life of the Notes using the effective interest rate method. The Company determined the expected life of the debt is equal to the three-year term of the Notes. The effective interest rate of the Notes was 10.74% as of December 31, 2025.

Convertible Notes payable consisted of the following at December 31 (dollars in thousands):

	2025	2024
Principal amount of Notes	\$ 7,650	\$ 7,650
Unamortized debt issuance costs	<u>(88)</u>	<u>(221)</u>
Net carrying amount	<u>\$ 7,562</u>	<u>\$ 7,429</u>

Interest expense incurred in connection with Convertible Notes consisted of the following at December 31 (dollars in thousands):

	2025	2024
Coupon interest	\$ 689	\$ 689
Amortization of debt issuance costs	<u>133</u>	<u>134</u>
Total interest expense on notes	<u>\$ 822</u>	<u>\$ 823</u>

9. FEDERAL INCOME TAXES

Deferred income tax assets and liabilities are computed annually for differences between the financial statement and federal income tax basis of assets and liabilities that will result in taxable or deductible amounts in the future, based on enacted tax laws and rates applicable to the period in which the differences are expected to affect taxable income. As of each reporting date, management considers new evidence, both positive and negative, that could affect its view of the future realization of deferred tax assets. A valuation allowance is established when necessary to reduce the deferred tax assets to the amount expected to be realized.

GRAND RIVER COMMERCE, INC.

Notes to Consolidated Financial Statements

Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Income tax expense (benefit) from continuing operations was as follows (dollars in thousands):

	2025	2024
Current expense		
Federal	\$ 79	\$ (6)
Deferred benefit		
Federal	94	(107)
Total	\$ 173	\$ (113)

A reconciliation of federal income taxes at statutory rate (21% for 2025 and 2024) to effective rate for the year end December 31 is as follows (dollars in thousands):

	2025		2024	
	Amount	Percent	Amount	Percent
Federal statutory income tax	\$ 172	21.00%	\$ (115)	21.00%
Effect of:				
Nondeductible expenses	5	0.56%	8	1.45%
Tax exempt income	(4)	(0.44%)	(4)	(0.73%)
Other	-	-	(2)	(0.36%)
Total	\$ 173	21.12%	\$ (113)	21.36%

Significant components of the deferred income tax assets and liabilities presented on the consolidated balance sheets are comprised of the following amounts as of December 31 (dollars in thousands):

	2025	2024
Deferred tax assets		
Allowance for credit losses	\$ 1,063	\$ 1,106
Deferred compensation	53	54
Unrealized loss on securities available-for-sale	365	548
Net operating losses	2,301	2,436
Depreciation	23	-
Other	100	68
	3,905	4,212
Deferred tax liabilities		
Depreciation	-	(30)
Net deferred tax asset	\$ 3,905	\$ 4,182

Notes to Consolidated Financial Statements

As of December 31, 2025, 2024, and 2023, the Company had no unrecognized tax benefits. The Company does not expect the amount of unrecognized tax benefits to significantly increase or decrease within the next twelve months.

Interest and/or penalties related to income tax matters are reported in income tax expense. The Company had no amounts accrued for interest and penalties at December 31, 2025 and 2024, and was not aware of any claims for such amounts by federal income tax authorities.

The Company is subject to U.S. federal income tax.

A significant portion of the Company's deferred tax assets as of December 31, 2025 and 2024 relates to federal net operating loss carryforwards of approximately \$10,959 and \$11,602, respectively of which \$5,269 and \$5,136, respectively, were generated from GRMC in previous years. These net operating loss carryforwards are available to offset future federal taxable income. The carryforwards were generated in tax years after December 31, 2017 and therefore do not expire; however, their utilization is limited to 80% of taxable income in any given year. Management has evaluated the realizability of the Company's deferred tax assets, including the recoverability of these net operating loss carryforwards, and has concluded that a valuation allowance is not necessary as of December 31, 2025.

10. RELATED PARTY TRANSACTIONS

Loans

In the ordinary course of business, the Bank grants loans to certain directors, executive officers, and their affiliates. Such credit extensions aggregated to approximately \$627,000 and \$675,000 at December 31, 2025 and 2024, respectively.

Deposits

Deposits of directors, executive officers, and their affiliates totaled approximately \$1.3 million at December 31, 2025 and \$1.9 million at December 31, 2024.

11. OFF-BALANCE SHEET ACTIVITIES

To meet the financing needs of its customers, the Bank is party to financial instruments with off-balance-sheet risk in the normal course of business. These financial instruments are comprised of unused lines of credit, overdraft lines and loan commitments. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated balance sheet.

The Bank's exposure to credit loss in the event of nonperformance by the other party is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making these commitments as it does for on-balance sheet instruments. The amount of collateral obtained, if deemed necessary by the Bank, upon extension of credit is based on management's credit evaluation of the borrower. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Credit risk exists up to the face amounts of these instruments, although material losses are not anticipated.

GRAND RIVER COMMERCE, INC.

Notes to Consolidated Financial Statements

The contractual amounts of financial instruments with off-balance sheet risk was as follows as of December 31 (dollars in thousands):

	2025		2024	
	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
Unfunded commitments under lines of credit and overdraft lines	\$ 379	\$ 77,859	\$ 5,828	\$ 94,693
Commitments to fund loans	3,760	12,812	5,956	3,285
Total	\$ 4,139	\$ 90,671	\$ 11,784	\$ 97,978

Unfunded commitments under commercial lines of credit, revolving home equity lines of credit and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These commitments are generally collateralized and have a maturity date. They may expire without being drawn upon. These lines of credit may not be drawn upon to the total extent to which the Bank is committed.

Commitments to fund loans are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Bank, is based on management's credit evaluation of the customer.

The following table presents the balance and activity for the allowance for credit losses for unfunded commitments 2025 and 2024 (dollars in thousands):

	Allowance for Credit Losses - Unfunded Commitments
Balances, January 1, 2024	\$ 352
Credit loss reversal	(149)
Balances, December 31, 2024	203
Credit loss reversal	(144)
Balances, December 31, 2025	\$ 59

12. LEASES

Lessee Arrangements

The Company enters into leases in the normal course of business. Existing leases have remaining terms ranging from 1 to 6 years and do not include residual value guarantees or covenants.

Notes to Consolidated Financial Statements

Leases are classified as operating or financing leases at the lease commencement date. Lease expense for short-term leases is recognized on a straight-line basis over the lease term. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

Management includes lease extension and termination options in the lease term if, after considering relevant economic factors, it is reasonably certain the Company will exercise the options. In addition, the Company has elected to account for any non lease components in its real estate leases as part of the associated lease component. Management has also elected not to recognize leases with original lease terms of 12 months or less (short term leases) on the Company's consolidated balance sheets.

The Company uses its incremental borrowing rate at lease commencement to calculate the present value of lease payments when the rate implicit in a lease is not known. The incremental borrowing rate is based on the FHLB amortizing advance rate, adjusted for the lease term and other factors.

The following table summarizes information related such leases during the year ended December 31 (dollars in thousands):

	2025	2024
Cash paid for amounts included in the measurements of lease obligations:		
Operating cash flows from operating leases:	\$ 454	\$ 481
Operating lease weighted average remaining lease term (years)	5.0	6.0
Operating lease weighted average discount rate	1.56%	1.61%

Right-of-use assets related to operating leases were \$1.3 million as of December 31, 2025, and \$1.7 million as of December 31, 2024. Right-of-use liabilities tied to operating leases were \$1.3 million as of December 31, 2025, and \$1.7 million as of December 31, 2024. These amounts are included with interest receivable and other assets and interest payable and other liabilities on the consolidated balance sheets. Total lease expense for the years ended 2025 and 2024 was \$459,000, and \$489,000, respectively. These amounts included \$421,000 of amortization expense for operating leases in 2025 and \$434,000 in 2024. The Company had no financing leases as of December 31, 2025 or 2024.

Notes to Consolidated Financial Statements

Lease Obligations

Future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2025, are as follows (dollars in thousands):

Year	Operating Leases
2026	\$ 278
2027	278
2028	278
2029	278
2030	<u>278</u>
Total undiscounted lease payments	1,390
Less imputed interest	<u>54</u>
Net lease liabilities	<u>\$ 1,336</u>

13. SHARE-BASED COMPENSATION

On June 23, 2009, the Board of Directors of the Company approved the adoption of the Grand River Commerce, Inc. 2009 Stock Incentive Plan (the "2009 Plan") which provides for the reservation of 200,000 authorized shares of the Company's common stock, \$0.01 par value per share, for issuance upon the exercise of certain common stock options, that may be issued pursuant to the terms of the 2009 Plan. The 2009 Plan was approved and adopted by our shareholders at our 2010 Annual Meeting. Effective March 1, 2017, the 2009 Plan was amended in part to add restricted stock as a type of award under the Plan. The plan expired on April 30, 2019, and as such no new awards can be granted under this plan.

Common Stock Options

During the second quarter of 2009, the Company awarded and issued options for the purchase of 100,000 shares of the Company's common stock. During 2013 and 2012, the Company awarded 500 and 35,000 common shares for additional employee options, respectively, to acquire 500 and 35,000 shares respectively, under the 2009 Plan. All such options expired ten years from date of original grant. Employee options had a 5 year vesting period and Director options had a 3 year vesting period.

The agreements were modified on December 30, 2016. The common stock option exercise price was modified from \$10.00 to \$5.30 for Director and Employee options resulting in compensation expense of \$108,000 in 2016 and associated \$12,000 of deferred income tax benefit. In addition, employee options were reset with a new 10-year term.

The stock options outstanding from the 2009 plan totaled 25,000 and 50,000 at December 31, 2025 and 2024, respectively. No such stock options were exercised in 2025 and 2024.

The cost of employee services received in exchange for equity awards, including stock options, is measured based on the grant date fair value of the awards. The cost is recognized as compensation expense over the vesting period of the awards. Management estimates the fair value of all stock options on each grant date and the modified date, using the Black-Scholes option pricing model.

GRAND RIVER COMMERCE, INC.

Notes to Consolidated Financial Statements

The Company uses historical data to estimate option exercise and employee termination within the valuation model. The risk-free rate for periods within the contractual term of the option is based on the U.S. Treasury yield curve in effect at the time of grant and modification of the option.

A summary of option activity under the expired 2009 Plan is presented below for the years ended December 31:

	2025		2024	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at January 1	50,000	\$ 5.30	50,000	\$ 5.30
Granted	-	-	-	-
Exercised	-	-	-	-
Expired or cancelled	25,000	5.30	-	-
Outstanding at December 31, including those modified	25,000	\$ 5.30	50,000	\$ 5.30

There were 25,000 common stock options exercisable as of December 31, 2025 and 50,000 as of December 31, 2024. No further options have been granted since 2013. As of December 31, 2025 and 2024, there was no unrecognized compensation cost related to nonvested share-based compensation arrangements granted under this Plan.

Restricted Stock Awards

In February 2021, the Company adopted a new restricted stock plan (the "2020 Plan") to replace the 2009 Plan, which had expired. The 2020 Plan provides for the reservation of 650,000 authorized shares of the Company's common stock, \$0.01 par value per share. Unless terminated earlier, the 2020 Plan expires in February 2031. Under the provisions of the 2020 Plan, the Company cannot be obligated to "cash settle" any of the restricted stock awards through redemption.

There were no shares granted under the 2020 Plan in 2025 or 2024. A total of 2,319 and 6,043 shares vested in 2025 and 2024, respectively, from these and prior year grants. A total of 1,250 shares remain unvested and will fully vest in 2026. The fair value of restricted stock awards is estimated by the market price of the Company's common stock at the date of grant. Total compensation expense of \$3,800 and \$35,000 was recognized in 2025 and 2024, respectively, for these restricted stock awards. During the period the shares are not vested, the participant may not sell, assign, transfer, pledge, or otherwise encumber the shares, but has all other rights of a shareholder, including the right to receive dividends and the right to vote such shares. Unvested shares are immediately forfeited when the employment of a grantee is terminated and immediately become vested upon a change of control or the death or disability of the participant. There was \$6,750 of total unrecognized compensation cost related to nonvested restricted stock awards granted under the plan. These costs will be fully recognized in 2026.

GRAND RIVER COMMERCE, INC.

Notes to Consolidated Financial Statements

A summary of restricted stock activity under the 2020 Plan is presented below for the years ended December 31:

	2025		2024	
	Shares	Weighted Average Grant-Date Fair Value	Shares	Weighted Average Grant-Date Fair Value
Nonvested at January 1	3,926	\$ 5.98	9,969	\$ 5.89
Granted	-	-	-	-
Vested	2,319	6.14	6,043	5.84
Forfeited	356	7.00	-	-
Nonvested at December 31	<u>1,250</u>	<u>\$ 5.40</u>	<u>3,926</u>	<u>\$ 5.98</u>

14. EARNINGS PER SHARE (dollars in thousands)

	2025	2024
Basic		
Continuing Operations		
Net income (loss)	\$ 645	\$ (438)
Discontinued Operations		
Net loss	\$ (9)	\$ (85)
Weighted average common shares outstanding	7,038,953	7,039,280
Continuing operations		
Basic earnings (loss) per common share	\$ 0.09	\$ (0.06)
Discontinued operations		
Basic loss per common share	<u>(0.00)</u>	<u>(0.01)</u>
Basic earnings (loss) per common share	<u>\$ 0.09</u>	<u>\$ (0.07)</u>

Diluted earnings per common share considers the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. For the years ended December 31, 2025 and 2024, potential common shares were excluded from the calculation of earnings per share because their effect would have been anti-dilutive. Therefore, outstanding options for the purchase of 25,000 and 50,000 shares of common stock for 2025 and 2024, respectively, as well as 2,171,600 and 2,181,849 shares of common stock related to the convertible debt for the same years, were not included in the diluted earnings per share calculation.

Notes to Consolidated Financial Statements

15. MINIMUM REGULATORY CAPITAL REQUIREMENTS AND RESTRICTIONS ON CAPITAL

The Bank is subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for the Bank, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting policies. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The prompt corrective action regulations provide four classifications; well capitalized, adequately capitalized, undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, or worse, the Bank would be subject to further regulatory restrictions. The Company is currently restricted from paying dividends until such time as it has sufficient retained earnings to do so without negatively affecting its ability to support the Bank.

Failure to meet capital requirements can initiate regulatory action. The Bank has elected not to include the net unrealized gain or loss on available for sale securities in computing regulatory capital. Quantitative measurements established by regulation to ensure capital adequacy require the Bank to maintain minimum capital ratios (set forth in the following table). Management believes, as of December 31, 2025 and 2024, that the Bank met all capital adequacy requirements to which they are subject.

As of December 31, 2025 and 2024, the most recent notifications from the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, an institution must maintain minimum total risk-based, and Tier 1 leverage ratios as set forth in the following tables. There are no conditions or events since the notification that management believes have changed the Bank's category.

GRAND RIVER COMMERCE, INC.

Notes to Consolidated Financial Statements

The Bank's actual capital amounts and ratios are presented in the following tables (dollars in thousands).

	Actual		Minimum Capital Requirements Plus Conservation Buffer		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio

(Dollars in thousands)

December 31, 2025						
Total capital to risk weighted assets	\$ 54,747	13.21%	\$ 43,532	10.50%	\$ 41,459	10.00%
Common equity tier 1 capital to risk weighted assets	49,685	11.98	29,021	7.00	26,948	6.50
Tier 1 capital to risk weighted assets	49,685	11.98	35,240	8.50	33,167	8.00
Tier 1 capital to average assets	49,685	9.43	21,077	4.00	26,347	5.00

	Actual		Minimum Capital Requirements Plus Conservation Buffer		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio

(Dollars in thousands)

December 31, 2024						
Total capital to risk weighted assets	\$ 54,093	12.09%	\$ 46,973	10.50%	\$ 44,736	10.00%
Common equity tier 1 capital to risk weighted assets	48,749	10.90	31,315	7.00	29,078	6.50
Tier 1 capital to risk weighted assets	48,749	10.90	38,026	8.50	35,789	8.00
Tier 1 capital to average assets	48,749	9.19	21,220	4.00	26,525	5.00

Notes to Consolidated Financial Statements

During 2025, Grand River Bank declared and paid a cash dividend of \$1.5 million to Grand River Commerce. The dividend was approved by the Bank's Board of Directors and was paid in accordance with applicable federal and state banking regulations governing distributions by subsidiary banks to their parent holding companies. The distribution did not reduce the Bank's capital below required minimum regulatory levels. On a consolidated basis the dividend was eliminated and therefore did not affect consolidated net income.

Consistent with its policy that bank holding companies should serve as a source of financial strength for their subsidiary banks, the Federal Reserve has stated that, as a matter of prudence, Grand River Commerce, a bank holding company, generally should not maintain a rate of distributions to shareholders unless its available net income has been sufficient to fully fund the distributions, and the prospective rate of earnings retention appears consistent with the bank holding company's capital needs, asset quality, and overall financial condition. In addition, the Company is subject to certain restrictions on the making of distributions as a result of the requirement that the Bank maintain an adequate level of capital as described above.

As a Michigan corporation, the Company is restricted under the Michigan Business Corporation Act from paying dividends under certain conditions, including circumstances in which the Company would be unable to pay its debts as they become due in the ordinary course of business or if total assets would be less than total liabilities after giving effect to a dividend.

In 2024, Grand River Commerce downstreamed \$3.0 million of additional capital to the Bank to further bolster the Bank's capital position and support its growth and regulatory capital ratios.

16. CONTINGENCIES

Litigation

The Company is a party to litigation arising during the normal course of business. In the opinion of management, based on consultation with legal counsel, the resolution of such litigation is not expected to have a material effect on the consolidated financial statements.

17. EMPLOYEE BENEFIT PLANS

The Company has a Safe Harbor 401(k) Plan covering all employees. Contributions under the 401(k) plan are made by the employee with the Company contributing 100% of the employee deferral for the first 3% of compensation and 50% of the deferral for the next 2% of the employee's deferral within IRS limits. The cost of the plan amounted to approximately \$222,000 and \$251,000 for 2025 and 2024, respectively. These amounts include approximately \$0 and \$2,000 of expense related to discontinued operations for 2025 and 2024, respectively.