



Greater Rochester Bancorp, Inc.

ANNUAL REPORT

2020





The GRB Experience

**The GRB Experience.
Our employees live it.
Our clients benefit from it.
It's how we do business.**

We grow Rochester business by providing a unique banking experience and significant value to area businesses, professionals, and individuals.

Our financial resources and management resourcefulness will provide you with the flexible, creative thinking you need to achieve your goals. With our focus on building a long-term, meaningful relationship, you'll deal with banking professionals who take the time to become trusted advisors and strategic partners.

We trust, appreciate, and depend on each other to deliver extraordinary results.

Our dedicated, energized team is the key to our success, and to yours.

We are empowered to think differently and build relationships in support of clients' success.

Employees at all levels help provide innovative solutions, ensuring high quality, responsive service that's hard to match.



The
GRB
Exper!ence

- ✔ Lead By Example
- ✔ Remarkable Client Experience
- ✔ Unified Team

A Message From The President



Philip L. Pecora
President & CEO

A handwritten signature in black ink, appearing to read 'Pecora', written in a cursive style.

2020 was a difficult year by any standard. It tested every system and every individual within the GRB family. But it also provided an opportunity for us to demonstrate our strength as a local bank and deliver on our promise as Rochester's Community Bank.

In the first quarter of 2020, at the height of uncertainty imposed by the onset of the COVID-19 pandemic, I assured our Board of Directors and employees that GRB was on stronger footing than at any time in our history. We were well-positioned to effectively manage through the crisis and poised to be a principal enabler for our clients to do the same. Measuring GRB's 2020 performance against that statement, or most any other objective, the year was a resounding success.

Two primary contributors to the bank's extraordinary performance were a result of circumstances caused indirectly and directly by the pandemic – including exceptional growth and profitability from the mortgage banking business and the CARES Act's introduction of the Small Business Administration Paycheck Protection Program (PPP).

While these factors were unanticipated, they by no means can be considered windfalls, as GRB's ability to capitalize on the market conditions was a result of purposeful planning and the ongoing strategic investment in the bank's infrastructure, including a talented workforce and state-of-the-art technology.

Investments at GRB Lead to Enhanced Delivery and an Exceptional Client Experience

For several years leading up to 2020, GRB made significant investments that served as the cornerstone upon which this past year's success was built.

Achieving a second consecutive year of high double-digit growth in residential mortgage

volume would not have been possible without the effective implementation of systems to support our sales teams' efforts, including the Encompass loan origination system that provided for greater operational efficiencies and a better mortgage application experience for our clients. Similarly, the implementation of the nCino customer relationship management system for the commercial bank was essential to the effective processing of 575 PPP loan applications.

The implementation of technology would be irrelevant, however, without dedicated personnel who effectively administer, customize, and utilize the systems.

The hallmark of GRB's success has always been the strength of our staff, and now more than ever, this powerful differentiator continues to drive the bank's exemplary performance.

Simply put, despite the many challenges brought on during this time of crisis, GRB's team rose to the occasion.

The Numbers Tell the Story

After achieving record earnings in 2019, GRB's pre-tax income increased by more than 75% in 2020 on the strength of sharp revenue growth driven by residential mortgage volume, residential mortgage yield spread premiums, PPP loan fee income and net interest income generated by an expanded balance sheet.

Key profitability metrics increased accordingly, with return on average assets exceeding 200 basis points and return on tangible equity reaching 25%. Operating measures also improved, highlighted by an efficiency ratio of 46% and a net overhead ratio under 0.30%. These efficiency metrics in particular reflect the bank's ability to significantly ramp up production in our core businesses while maintaining overhead expense control.

Finally, while the quality of the bank's loan portfolio remains unblemished, the bank increased loan loss reserves by over \$3 million as a cautionary stance against the risk of future credit losses (potentially stemming from the after-shock of the global pandemic).

Future optimism signified by GRB's 2020 financial results should, however, be evaluated with the appropriate level of caution and context. Mortgage yield spread premiums and PPP loan fee income are likely to be short-term revenue boosts and are not expected to recur beyond the coming year.

While net interest income in 2020 benefited from immediate funding cost savings in the wake of falling interest rates, in 2021 and beyond, asset yields will continue to adjust lower while opportunities for additional funding cost savings remain limited, thereby pressuring our future net interest margin. Accordingly, 2020 earnings should be viewed as an unrepeatable outlier and not the baseline for future performance.

GRB Commercial Banking: Here. For You.

In planning for 2020, we had good reason to feel confident about the year ahead. The U.S. economy was enjoying continued prosperity and GRB's commercial client base was on sound footings. However, the outlook took a dramatic turn on March 22, when all "nonessential" businesses were closed in an extraordinary measure by our state government to prevent the spread of COVID-19. Business activity ostensibly halted and along with it, so did demand for conventional bank lending.

When the Treasury Department and the Small Business Administration quickly introduced the Paycheck Protection Program (PPP) in an effort to stabilize the US economy, as a community partner, GRB embraced the program as an opportunity to assist our business clients and prospects. Over the next quarter, GRB's commercial banking team dedicated itself to the program roll-out, administering more than \$136 million in new loans by the end of the second quarter.

I am proud of our commercial team's rousing response to this effort that exemplifies GRB's relationship driven approach to serving our clients and the bank's commitment the Greater Rochester business community.

Residential Mortgage Continues its Surge

A surprising consequence of the health crisis has been the surging demand for housing at a time when inventory has become increasingly limited. Historic low interest rates has added to a flurry of mortgage activity that has benefited all mortgage lenders.

While refinance activity has certainly provided additional opportunities for GRB, our team has remained focused on the home purchase market, demonstrated by the fact that more than 68% (\$280 million) of 2020's record closings of \$416 million helped our clients purchase a new home. This percentage of purchase volume compares favorably to many local competitors who saw mortgage refinancing consume upwards of 60% of their total closing volume.

Looking Forward

GRB's core bank revenues and earnings are projected to remain strong in the coming year and will provide the opportunity to fund additional investments in our infrastructure to build capacity and drive continued growth.

We are in an enviable position where the favorable position of our balance sheet and earnings provide us with the financial flexibility to leverage that strength in a variety of ways.



The entire team at GRB remains committed to implementing strategic initiatives that balance the responsibility for growing earnings with that of generating long-term mutual benefit with our valued clients.

In 2021, GRB is proud to celebrate its 25th anniversary as Rochester's community bank. We remain resolute in living our mission to serve our clients in both prosperous and challenging times, and we are excited to pursue the great opportunities that await us. We continue to be Here. For You.

Board of Directors

Chairman

E. Philip Saunders

President & CEO
Saunders Management Co.

Directors

Ronald D. Billitier

President
Billitier Electric, Inc.

Anthony Cotroneo

Partner
Woods Oviatt Gilman, LLP

Eli N. Futerman

Co-President
Hahn Automotive Warehouse, Inc.

Dante Gullace

Attorney & Real Estate Developer

Daniel C. Hogan

President
Crane-Hogan Structural Systems, Inc.

John M. Holahan

Retired President
Travel Ports of America

Michelle C. Paroda

Vice President
Ramsey Constructors

Philip L. Pecora

President & CEO
Genesee Regional Bank

Steven B. Sauer

President
Toshiba Business Solutions, New York

Gary Schwingel

Retired, Chief Financial Officer
Genesee Regional Bank

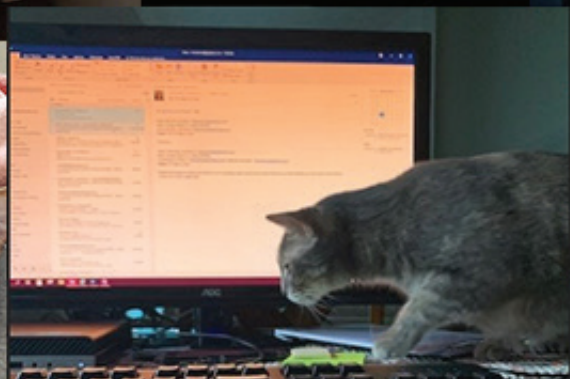
Daniel D. Tessori, Ph.D., CPA

Assistant Professor
Rochester Institute of Technology

Giovanni LiDestri

Board Member Emeritus
Chief Executive Officer
LiDestri Foods, Inc.

Working From Home



My intern's face when I asked him to make me coffee.

Awards and Recognition

GRB was pleased to be recognized by the business community for a number of awards in 2020, including the Best Companies to Work for in New York and the Rochester Chamber Top 100. GRB was also named an Emerald Award lender and the top lender in Rochester from the Small Business Administration. And the bank was ranked #23 among the top performing community banks in the country (with assets under \$3 Billion) by S&P Global.



There were many employee achievements to celebrate in 2020 as well:

- **Chairman of the Board E. Philip Saunders** was named to the *Power 100* by the *Rochester Business Journal*.
- **President and CEO Philip L. Pecora** was elected to the Board of Directors of the *Independent Bankers Association of New York State, Inc. (IBANYS)*

GRB employees also worked hard to secure a number of accreditations, certification and achievements, among them:

- **Cathy Doran**, ABA Stonier Graduate School of Banking
- **Kristin Parlet**, Accredited ACH Professional
- **Heather DeMinck**, Accredited ACH Professional
- **Anthony Cissell**, Certified Anti-Money Laundering Specialist



Cathy Doran



Kristin Parlet



Heather DeMinck



Anthony Cissell



Community Involvement

As a local bank with an emphasis on building relationships, an important element of our business model extends beyond banking. As the reality of COVID sunk in in March, we were concerned about our customers and their employees and families. We were equally concerned about the community at large. We knew that our support for non-profit organizations would never be more critical. It would look different in 2020, but we still knew GRB would find a way to remain engaged with our customers and our community.

As the lockdown began, we knew we wanted to reach out to as many customers as we could and let them know we were still Here. For You. The GRB Community Giveback launched just a few weeks later and each GRB employee was given \$300 to spend with one of the bank's clients. GRB employees chose gift cards from restaurants, HVAC companies, gift shops, landscapers, entertainment venues, personal care services, and dozens of other local businesses. We handed out the gift cards in brightly colored gift bags and celebrated the strength and resilience of our small business customers.

Among the not-for-profits, we watched as organization after organization postponed in-person events or moved to virtual ones. We knew these organizations were being called on to deliver support to community members struggling in unprecedented numbers. Food, clothing, shelter, mental health services, safety equipment – the need was so great. We sustained our previous funding levels for these organizations, regardless of whether there was an event or not. As additional needs arose, we responded with extra donations, a pajama drive, an incredible Thanksgiving food drive – every little bit helped. We also decided to forego holiday gifts for our customers, opting instead to use those funds to help the YWCA and Foodlink.

While we are happy to leave the struggles of 2020 in the rearview mirror, we will always reflect fondly on the ingenuity, compassion, and generosity of this community. We look forward to nurturing that collective goodwill in 2021. We are #ROCstrong.



Down Syndrome Achievement Centers
educate. inspire. believe.



trust. healing. justice.™





eliminating racism
empowering women
ywca
Rochester & Monroe County



Serving Northwest Rochester since 1917



CHARLES SETTLEMENT HOUSE



**Big Brothers
Big Sisters.**

NeighborWorks®
COMMUNITY PARTNERS
ROCHESTER





Financial Commentary

Greater Rochester Bancorp, Inc. (the parent company of Genesee Regional Bank) experienced a record year of financial performance in 2020. Noninterest income more than doubled from 2019, mainly due to mortgage banking earnings and PPP loan fee income. Net interest income increased 6.8% over 2019, a key earnings driver for GRB. The PPP program had a significant impact on the balance sheet, driving loans to increase 25% while deposit balances grew by 35% year over year. Excluding PPP loans, loan balances grew 3.3% from 2019. Though these increases are an indication of a successful year, it is important to note that many of the driving factors are short-term in nature and while generating core loan and deposit growth is a goal for 2021, this same level of growth is not to be expected.

Key performance metrics in 2020 improved further from 2019's impressive results and greatly exceed those of peer banks; GRB was recently ranked by S&P Global Market Intelligence as the 23rd best-performing U.S. community bank under \$3 billion in assets in 2020 (from over 4,000 banks nationwide). Asset quality remains exceptionally strong and GRB was classified as a "well capitalized bank" in our latest examination. GRB's capital levels were at an all time high in 2020, ensuring our ability to carry on our mission of Growing Rochester Business. Return on shareholder equity was 25.55% and return on assets was 2.08%. GRB's efficiency ratio of 47.2% significantly outpaces peer banks. Earnings per Class A common share in 2020 were \$312.80.

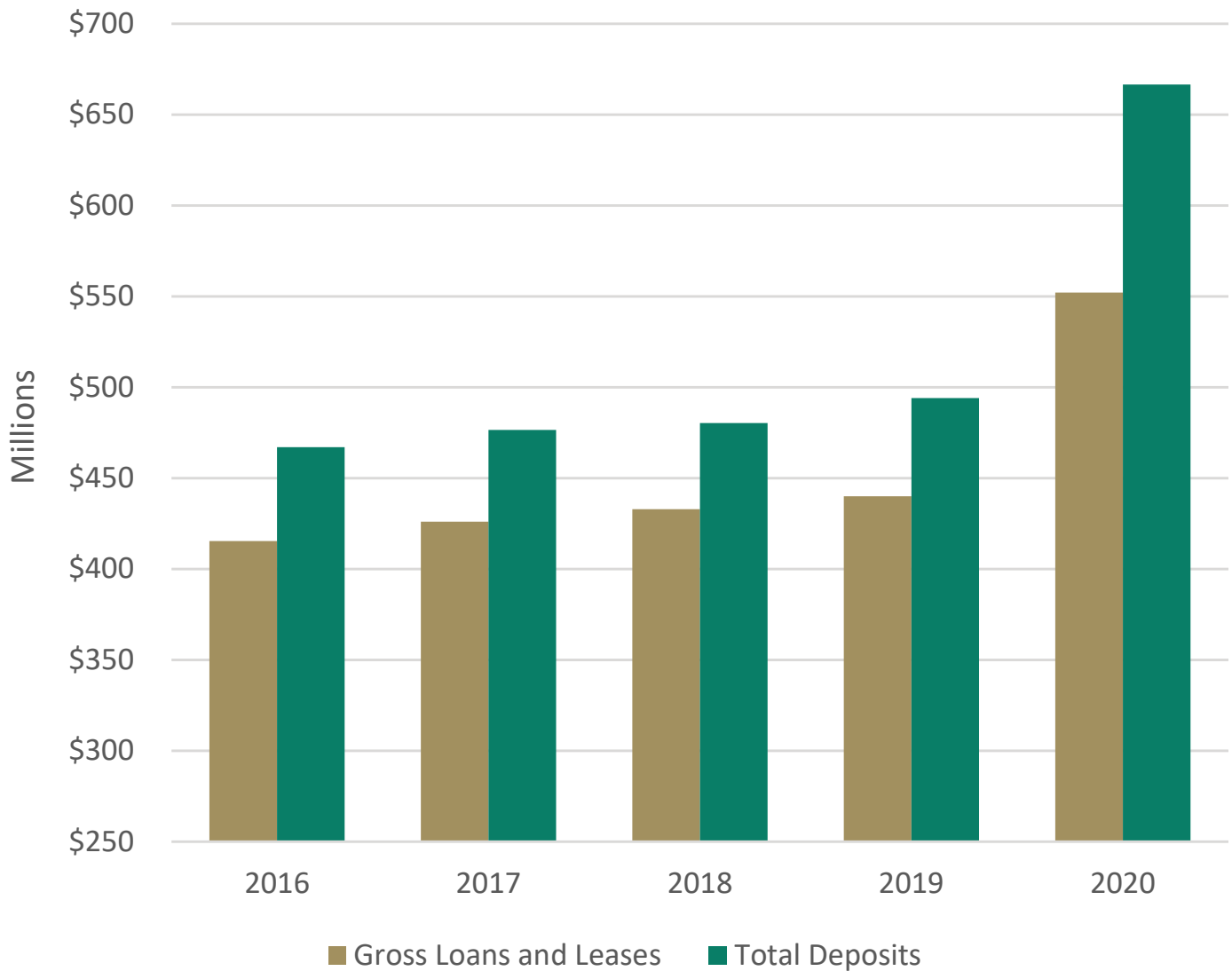
Looking forward to 2021, GRB's financial outlook remains exceptionally strong. Revenues are projected to remain elevated due to strong mortgage banking results and PPP loan fee income, supporting earnings while operating expenses are grown to invest in GRB's future. Capital levels are projected to be more than sufficient to enable the team to capitalize on current momentum and acquire new core customer relationships, generating loan and deposit balances to replace PPP loans and surge deposits that may run off. GRB is well positioned to continue on a path of healthy growth for 2021 and into the future.



Balance Sheet	2020	2019
Loans	\$552,233,410	\$440,140,201
Allowance for Loan Losses	(\$8,778,322)	(\$5,523,201)
Cash & Due from Banks	\$87,481,550	\$36,518,541
Investments	\$92,667,246	\$84,086,172
Other Assets	\$27,786,539	\$19,474,724
Total Assets	\$751,390,423	\$574,696,437

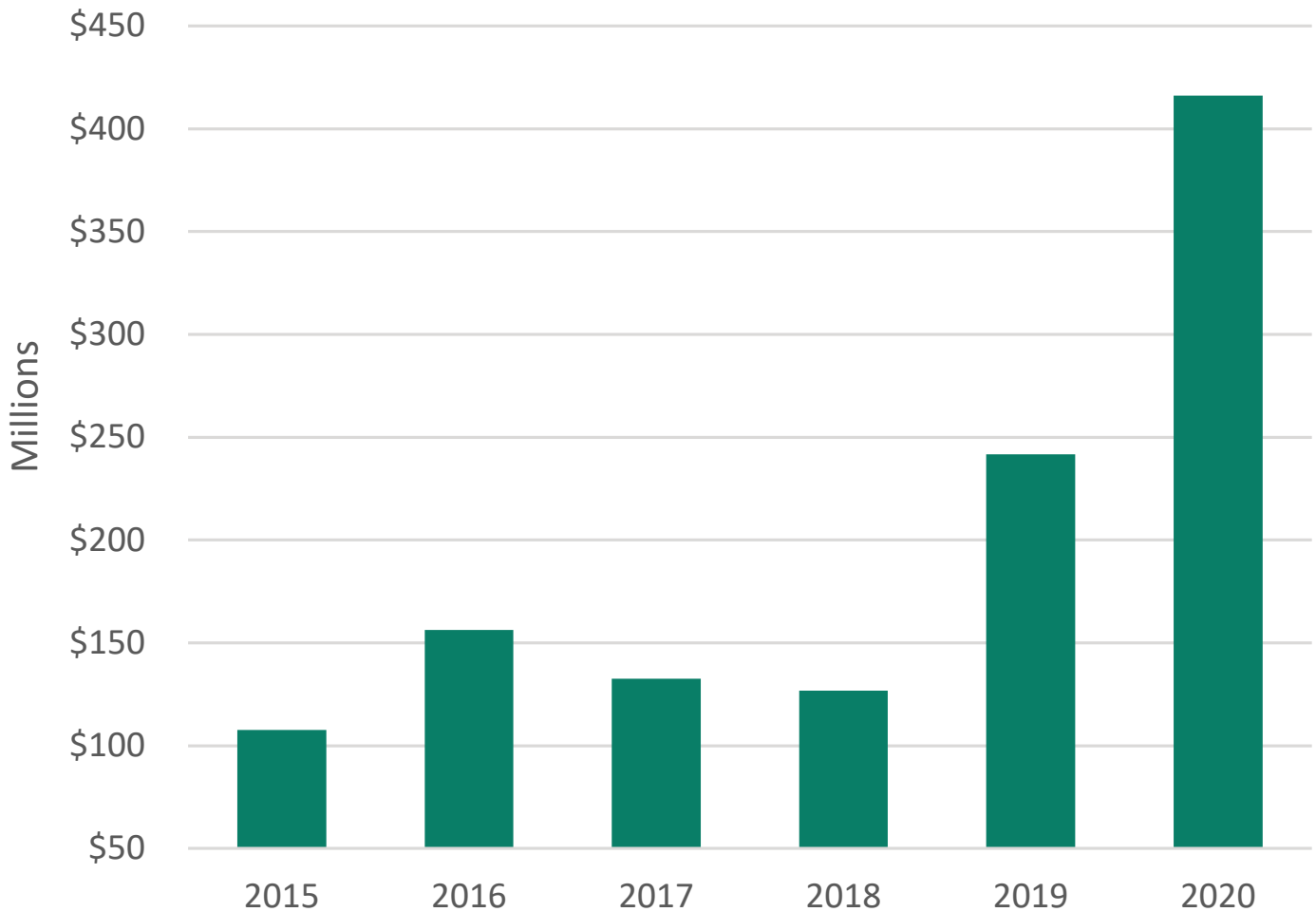
Deposits	\$666,567,122	\$494,056,459
Borrowings	\$15,000,000	\$24,985,600
Other Liabilities	\$3,614,199	\$2,921,147
Stockholder's equity	\$66,209,102	\$52,733,231
Total Equity/Liabilities	\$751,390,423	\$574,696,437

Key Performance Metrics	2020	2019
Return on Assets	2.08%	1.38%
Return on Equity	25.55%	17.03%
Efficiency Ratio	47.2%	59.2%
Earnings per Share	\$312.80	\$176.14
Bank Leverage Ratio	10.32%	11.31%



Loan and Deposit Growth

GRB continued to post loan growth as balances increased by 25% and reached more than \$552 million. Overall client deposits also grew by more than 33% to more than \$666 million.



Residential Mortgage Volume


Despite another year of limited housing inventory, GRB originated a record \$416MM in mortgages, helping more than 2,200 individuals and families buy and refinance homes. We expect 2021 to be another year of low inventory, with rates remaining low. In its fifth year on the “Rochester Business Journal” list of leading mortgage lenders, GRB was recognized as the top residential mortgage purchase bank lender in the region.




Member FDIC
NMLS#417491

Genesee Regional Bank

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