

2018 Shareholder Report



CHOICE BANK

#PeopleFirst



Brian L. Johnson

CHIEF EXECUTIVE OFFICER

In looking back at the 2017 report, I stated that the potential existed for our organization to experience some directional changing events in 2018. As I reflect now on this past year, it may have been an understatement as we sit here in January of 2019.

We had several significant transactions that were achieved in 2018 or will be coming in early 2019:

- The acquisition of Venture Bank in the Twin Cities, a \$750 million commercial bank.
- We acquired 100% of Great Plains National Insurance in LaMoure, ND; we were a 51% owner, and an acquisition agreement was completed with Darren Thielges and Ray Thielges for the remaining 49%.
- In December, we brought on the Fisher/Werner Insurance team, based out of Fargo and Bismarck. They specialize in commercial insurance and added six new team members to our family.
- We completed a branch sale of Petersburg, ND in November, and will complete the sale of our Comfrey, MN branch in January of 2019.
- We announced that we will expand into Moorhead, MN in February of 2019 with an office located on 8th Avenue and Main. Stop in to visit our newest location when you're in the area!
- In early 2019, we anticipate announcing a partnership with a large commercial insurance agency based out of the Twin Cities with roughly 40 team members that will be joining our Choice family.

We also had a couple of major branding and partnership announcements in 2018:

- Our customer/community-facing brand will be identified as "Choice Bank" moving forward, instead of Choice Financial. Our insurance, wealth, and other teams will be able to individually brand themselves with Choice and the service they deliver to their clients.

- We also announced a partnership with Adam Thielgen of the Minnesota Vikings. He will be an endorser and advocate for Choice Bank, and we are the official banking partner of The Thielgen Foundation, which is focused on helping youth reach their full emotional and physical potential. The foundation just launched this fall with its first project supporting the Behavioral Health unit of the University of Minnesota Masonic Children's Hospital.
- We launched a Wishing Well program in our ag-based communities that allowed people from the community to tell a story and make a wish for a person, cause, or organization that needed financial support. This will be an annual program that we hope continues to build, inspire, and better the places we live. More details on the initial wishes granted will be coming in February.

This is an amazing list of accomplishments in a period of one year. It is only possible as a result of a dedicated team of employees who have made phenomenal efforts and contributions in making these events a reality. I cannot thank and compliment our employees enough for the dedication, determination, and passion for living out our core values. As shareholders, it should instill confidence that a team of employees desires and embraces the opportunities to make this organization better for all stakeholders: customers, employees, and owners.

CHOICE BANK IN 2019

As of today, Choice is a bank with over \$2.1 billion in assets. We will generate about \$20 million in insurance revenue, manage over \$750 million in wealth assets, and work with hundreds of businesses and clients in servicing their health insurance and HSA needs.

We recognize that our employees are our best asset, and Choice will have almost 400 team members

“We recognize that our employees are our best asset, and Choice will have almost 400 team members by February of 2019.”

by February of 2019. Our focus and objectives are clear—we want to grow our organization by delivering solutions to our business and agricultural clients throughout the Midwest region.

When I am asked about what has been Choice’s greatest achievements over the past few years, the answer for me is simple: we have attracted and partnered with great people who are highly talented and committed to making a difference for us and our communities. This organization has been blessed with employees, customers, shareholders, and philanthropic partnerships that have given us the opportunity to grow, give back, and better the places we live.

RECOGNITION & AWARDS

I want to highlight some key contributors and recognize Choice team members as we look back on 2018.

Included in the report you will see photos of the Choice Footprints finalists and the Choice Footprint Pioneer. These team members were nominated by fellow Choice employees for their performance and commitment to our organization in 2018. We have highlighted Footprint finalists annually since 2011 and will continue to do so. The Pioneer award was a one-time special recognition to the members of the Venture Bank team that were outstanding in their efforts to bring our two organizations into one team.

I also want to make mention of some very special people who are retiring in 2018 or early 2019:

- Joyce Duerr of Langdon completed her 50th year of service to our organization and the Langdon community. She has been a rock through all the name, technology, and personnel changes, and we wish her well in retirement.
- George Wald, who was instrumental in making our first acquisition with Great Plains National Bank, will retire as President of the Dickinson market. George will continue as board member but will be missed on a daily basis by his team and all of us.
- Paul Bakkum, the former CEO of Northland Financial which we acquired in 2015, has since served as the Chief Risk Officer for Choice, will also be retiring. Paul has done an outstanding job in bringing his team into Choice’s culture and building our risk management team since he arrived.
- Brent Zavalney achieved a very successful career in banking and in serving the industry. Not only was he well-versed in every aspect of banking, his steadfast and calm demeanor served the bank, its customers and team members well during any period of transition or change. I appreciated and will miss his composed leadership style.
- Erv Inniger, who is part-time—but always around full time—will be stepping away from *continued...*



Brian L. Johnson recognizing Choice Footprints finalists at the Choice Anniversary Party.



Michael Zenk about to reveal the winner of the 2018 Footprints Pioneer award at the Choice Anniversary Party.

his role as Director of Community Relations. Erv will also continue to serve as a board member for Choice and be active in our volunteer efforts in the community.

These folks have been great contributors to Choice and our culture, and surely will be missed. I personally want to thank them for what they've done to make this organization better. They have also been a big influence as mentors to me, and have shown me what it means to be a great person with outstanding integrity. Thank you again, and best of luck with the next phase of life.

TO OUR SHAREHOLDERS

On behalf of our employees, management team, and board members, I want to thank you—our shareholders—for providing us the opportunity to catapult Choice forward, achieving our goals for our customers and communities.

Whether you have been a legacy shareholder from the early days of a bank with a different name, or you are new to Choice through our capital raise, your investment has been made with the belief that we will not only take care of your investment but grow and enhance its value. We are honored and humbled that you have chosen to place your hard-earned money with our team.

Choice is unique and blessed as its shareholder base is made up of business owners, farmers, and ranchers that live, work and serve along with us in our communities. We want your business, we expect to earn it, we appreciate it, and ask for help as you are an influence in your community. We want you to refer business opportunities to our Choice team confidently.

We are proud to be privately owned by over 250 investors and 48 employees, and we hope to have you want to increase your stake in Choice stock. In 2019, we will consider setting up a platform for private trading. We want our shareholders to know, if desired, their investment is liquid. We also want shareholders to have the information regarding available shares and the recent trading market.

Strengthening shareholder value has been a core principle at Choice, and it will continue to be. A successful organization attracts not only employee talent



Brian L. Johnson addresses retirees, George Wald, Paul Bakkum and Erv Inniger. Retirees were all celebrated at the Choice Anniversary Party and each were given an honorary Choice jersey for their service.



Adam and Caitlin Thielen with their son, Asher announcing the launch of The Thielen Foundation and their partnership with the University of Minnesota Masonic Children's Hospital.

but businessmen and women who want to partner with a successful organization. We have, and will continue to, focus on creating that reputation and value for all stakeholders, including our shareholders.

In closing, thank you for the opportunity to lead this organization. I have been blessed by the support of shareholders, friends, co-workers, and my family. I feel privileged to be part of such a great organization. I always want to be accessible to our customers, employees, and shareholders, so please don't ever hesitate to reach out with input, questions, and opportunities. Thank you again, and I wish all of you the best in 2019!

Take care,

2018 Choice Footprints



Footprints Finalists

TOP ROW

Nicole Koons
AVP, Credit
Langdon, ND

Angie Thingvold
Dir. of Loan Ops.
Grand Forks, ND

Bill Robinson
SVP, Ag/Business
Bismarck, ND

Julie Dahle
Internal Audit Mgr.
Bismarck, ND

BOTTOM ROW

Torrie Syverson
Sr. HR Generalist
Grand Forks, ND

Nellie Keller
Private Banking Officer
Bismarck, ND

Michelle Christensen
Client Account Mgr.
Fargo, ND

Mandy Sheeley
Dir. of Deposit Ops.
Fargo, ND



Choice Footprints

is an annual recognition and reward program that gives team members the opportunity to nominate their fellow peers whose efforts leave lasting footprints in our organization's growth and prosperity. Team members are nominated on a variety of characteristics and behaviors that coincide with Choice's Core Values. In 2018, 69 Choice team members were nominated.



Footprints winners were announced by video from Adam Thielen at the Choice Anniversary Party. 2018 Footprints winners are Michelle Christensen and Angie Thingvold.



Bobbie Alhaqq
AVP, Client Services Manager
Golden Valley, MN

Choice Footprints Pioneer

The Footprints Pioneer award was a one-time special recognition to the members of the Venture Bank team that were outstanding in their efforts to bring our two organizations together. Bobbie Alhaqq received the Pioneer Award.

2018 Financial Highlights

CHOICE FINANCIAL GROUP

INCOME STATEMENT DATA	2018	2017	CHANGE
Interest Income	71,626	52,802	35.65%
Interest Expense	10,582	5,265	100.99%
Net Interest Income	61,044	47,537	28.41%
Provision for Credit Losses	1,669	-	100.00%
Non-Interest Income	17,249	15,788	9.25%
Non-Interest Expense	42,745	35,003	22.12%
Income Before Income Taxes	33,879	28,322	19.62%
Income Tax Expense	9,469	-	0.00%
Net Income	24,410	28,322	-13.81%

AT DECEMBER 31

Assets	2,139,705	1,252,047	70.90%
Securities	105,216	55,238	90.48%
Loans & Leases	1,796,796	1,046,819	71.64%
Allowance for Credit Losses	11,887	11,281	5.37%
Deposits	1,863,571	1,102,848	68.98%
Total Stockholders' Equity	266,652	139,713	90.86%

OPERATING RATIOS

Return on Average Equity	18.88%	21.82%	-13.47%
Return on Average Assets	2.18%	2.42%	-9.92%
Efficiency Ratio	56.74%	55.28%	2.64%
Equity/Assets	12.46%	11.16%	11.67%

CHOICE FINANCIAL HOLDINGS, INC.

AT DECEMBER 31

Outstanding Debt - Trust Preferred Securities	27,933	23,865	17.05%
Total Stockholders' Equity	242,181	117,606	105.93%

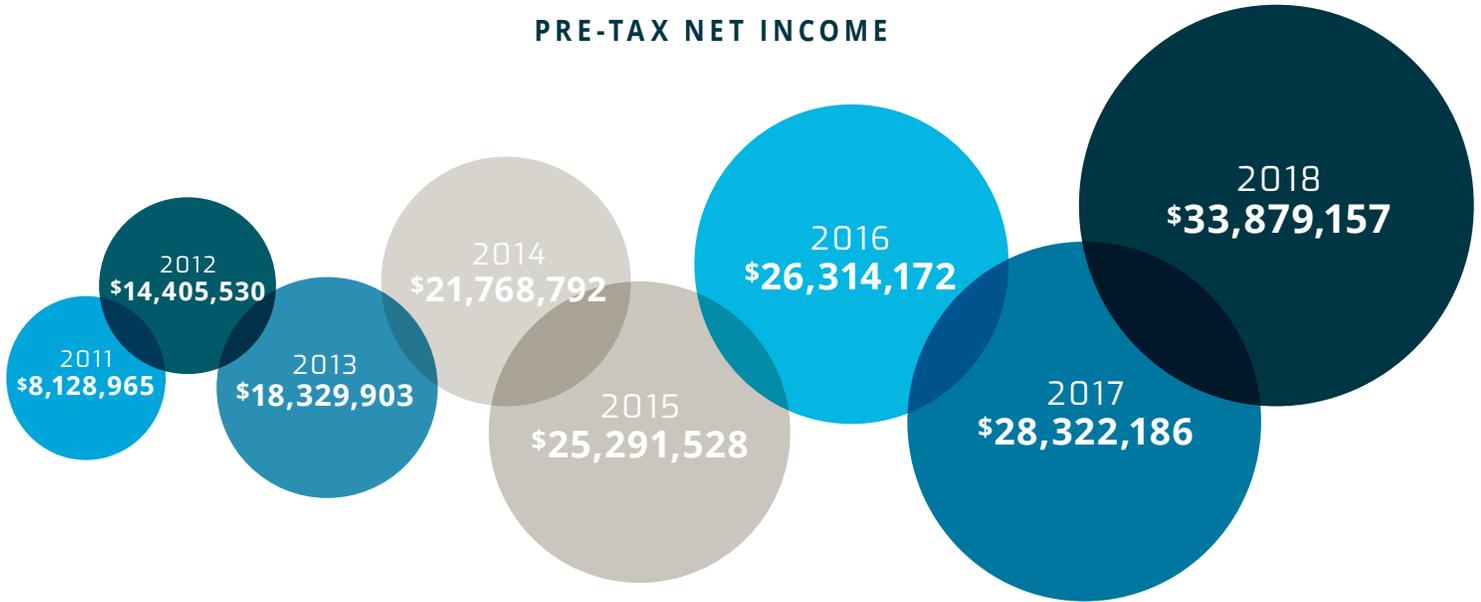
PER COMMON SHARE Shares Outstanding = 25,666.28 on 12/31/18 and 19,449.38 on 12/31/17

Earnings Per Share	872.03	1,400.18	-37.72%
Dividend Paid Per Share	-	575.00	-100.00%
Book Value Before Annual Dividend	8,113.38	6,046.77	34.18%
Book Value After Annual Dividend	8,113.38	5,471.77	48.28%
Book Value Growth Rate After Dividends	48.28%	15.14%	

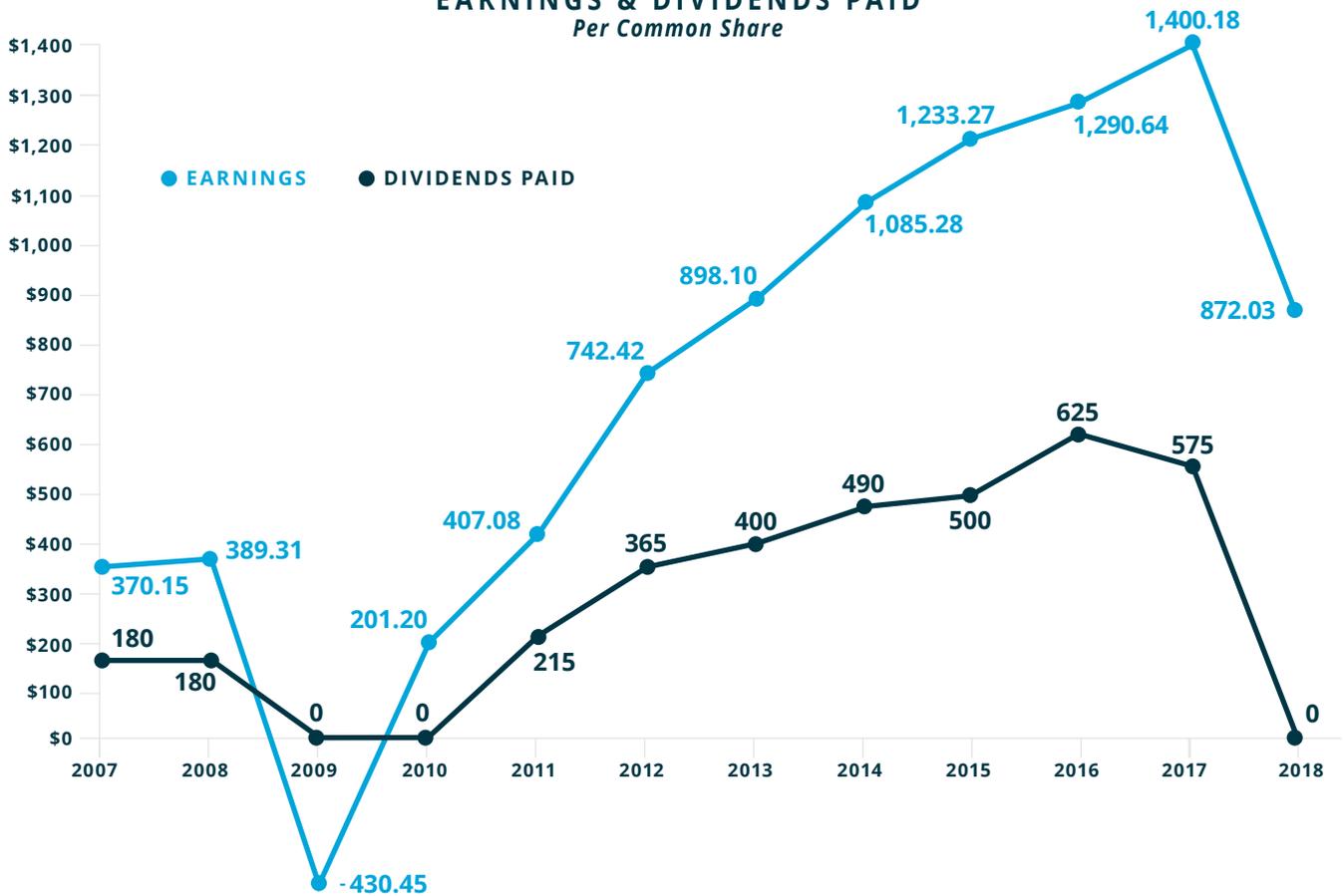
**Dollars in thousands, except per share data.
NOT AUDITED*

2018 Financial Highlights

PRE-TAX NET INCOME

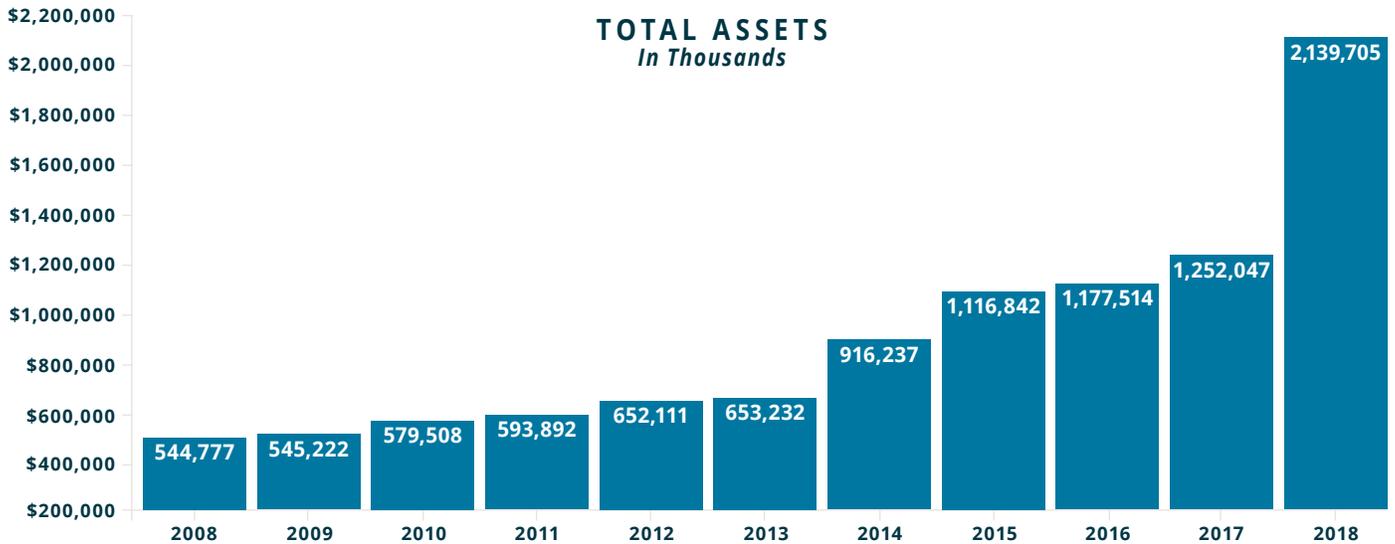
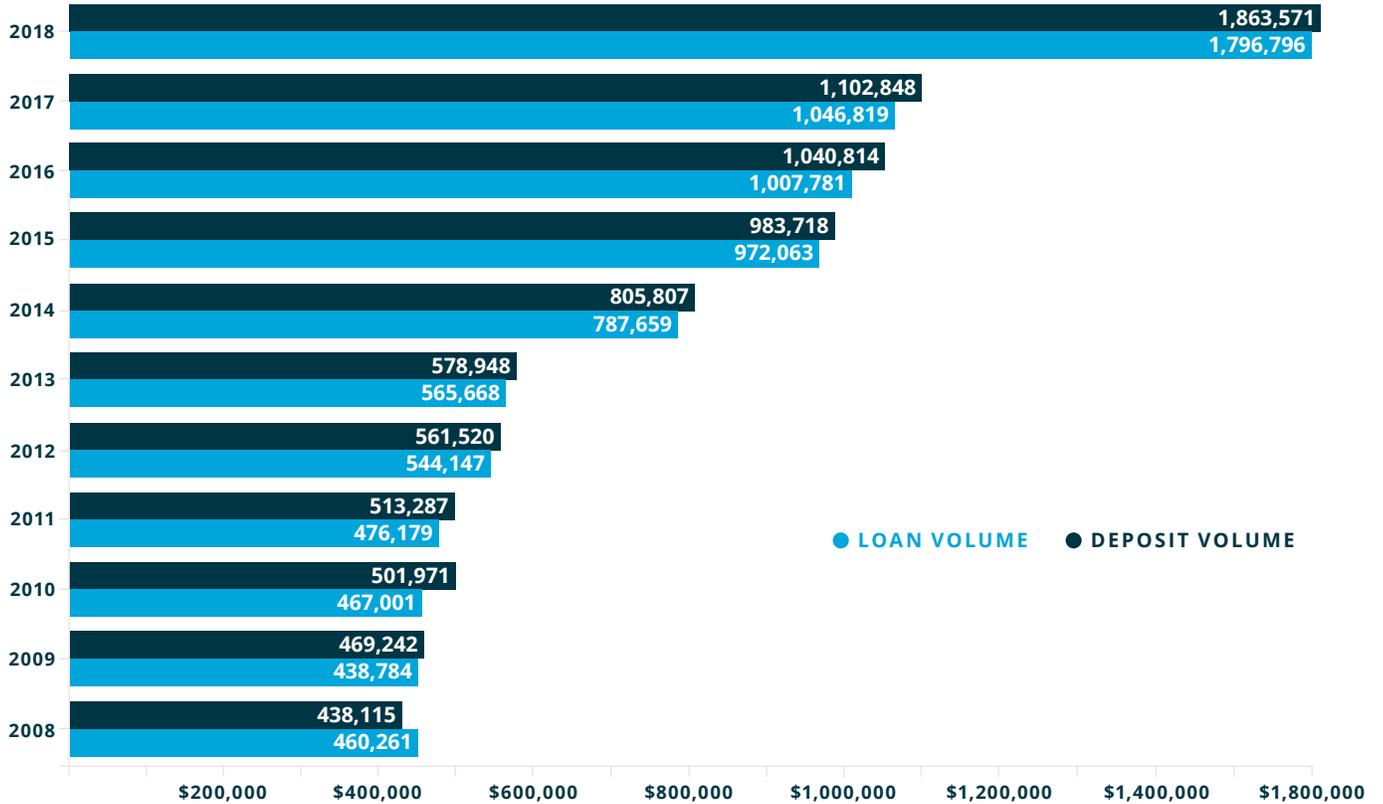


EARNINGS & DIVIDENDS PAID Per Common Share



2018 Financial Highlights

TOTAL DEPOSIT & LOAN VOLUME *In Thousands*



2018 Retirements



PAUL BAKKUM was CEO of Northland Financial since 1988, and formed a partnership and merged with Choice Bank in 2015. He joined the Choice Executive Leadership team as Chief Risk Officer and oversaw an expanded focus on risk, compliance, BSA, and cybersecurity within our organization.



JOYCE DUERR celebrated her 50th year of service to Choice in 2018. She has been with the bank since 1968, performing and assisting in various departments and roles throughout Choice Bank's growing history.



ERV INNIGER joined the Board of Directors in 2007 and as an employee in 2011 as Sr. Director of Community Relations. Erv has championed our many efforts to make a difference in our communities—most notably our Hospice fundraisers. He will continue to use his talents by serving on the Choice Board of Directors.



DARRYL KARTES started his insurance career in 1978 and worked in numerous roles until 1988 when he purchased a local insurance agency and over the next 14 years built a loyal following. In 2002 he sold his agency to Choice and stayed on making great strides in helping to develop our insurance department.



BRENDA KOVAR came to Choice in 2003 after a long banking career at First National Bank. Throughout the 14 years she spent with us she worked in almost every department of the bank, but mainly focused her time as a Loan Assistant and Accounts Payable Representative.



RILEY RAYMORGAN joined Great Plains Financial Group in May of 2009 where he eventually became a partner in the company. GPFG later partnered with Choice in 2015 where Ray was integral through the process of advising and growing our wealth department to what it is today.



GEORGE WALD previously served as CEO and Director at Great Plains National Bank until it was acquired by Choice in 2014. Since then George has served as President at our Dickinson location. George will continue to serve on the Choice Board of Directors.



BRENT ZAVALNEY started his career in banking as a teller in college. He moved to Langdon in 1981 to become Ag Lender at First Bank until it sold to Walhalla State Bank where he became President. Brent continued to serve as President and Director of Facilities and Related Services serving a total of 42 years.



George Wald

CHAIRMAN OF THE BOARD

I would like to extend a warm and sincere welcome to all of the new shareholders of Choice Financial Holdings, Inc. I would also like to thank all of our current shareholders for their increased investment in our remarkable organization. The investments you have made have allowed Choice Financial Group to complete the acquisition of a very successful banking organization, formerly known as Venture Bank, with four locations in the Minneapolis market. Venture Bank was a very accomplished and community-focused banking organization that had many of the same business goals and philosophies as Choice Financial Group. Venture served its customers and communities in an outstanding manner, which has resulted in exceptional growth and performance since they were founded in 2001.

As their staff and management have merged into Choice Financial Group, it has been both an honor and a privilege to meet many of the very talented team members and welcome them to Choice. I would like to thank the integration and executive management teams of both organizations for the outstanding job everyone did during the transition period. When two organizations of this size become one, there are normally quite a few bumps and sometimes major disappointments along the way. Compliments to the management and employees of our combined organization for the excellent job they have done in making this a smooth transition. The diversification of the markets, employees, customers, and communities should serve our organization well. We all love where we live for a variety of reasons, but with the industry changes occurring in banking, insurance, wealth management, and payment systems, size of scale and diversification becomes of increased importance as we look to the future. The size and diversity of our organization today allows us to continue to provide

more opportunities for our shareholders, employees, and customers.

Every successful organization needs qualified, capable and driven management. The team that Choice has built is one of the top management teams most of us will ever meet and have the privilege to work with. Management cannot thrive and prosper alone so we also need to appreciate and thank our dedicated employees for all of their amazing contributions. With the amount of work that goes into an acquisition, it is easy to get distracted and lose sight of our existing employees, customers, and communities. From my perspective—and speaking for all of the board members—I can confidently say that our organization also excelled at continuing to expand and deepen the existing relationships and opportunities within these groups.

This past year the Board of Directors directed the election of a “C” Corporation from an “S” Corporation, the revocation of the shareholder agreement, and the modification of the Employee Shareholder Agreement. We also reviewed numerous opportunities for additional expansion in the upper Midwest. With the capable management team that is in place, the board has had the ability to focus on strategic direction, high-level marketing partnerships, organizational branding, employee compensation, and audit and enterprise risk management.

As we look back on 2018, I believe we can do so with a sense of confidence and pride as to where our organization currently stands and to what we have accomplished. Looking to the future, it is incredibly exciting to anticipate how Choice Financial Group can further expand all of the new relationships that have been created and to the deepening of the relationships we have with our current loyal customer base.

PeopleFirst Partnerships

THE THIELEN FOUNDATION

New Partnership

In November we officially announced our partnership with The Thielen Foundation, co-founded by Adam Thielen, wide receiver for the MN Vikings, and his wife Caitlin. The Thielen Foundation aims to inspire and equip at-risk youth with the necessary tools to empower them to reach their full potential in life. In the past several months we have teamed up with The Thielen Foundation to help them launch a project with the University of Minnesota Masonic Children's Hospital Behavioral Unit, and as a supporting sponsor of the 2018 Winter Topgolf Classic where many of our clients and employees were able to participate. We will continue to support the Thielen Foundation by providing \$300,000 over the next 4 years as both our organizations work to put PeopleFirst and better the places we live.



Choice becomes the first large sponsor to partner with The Thielen Foundation by presenting a \$300,000 donation.



The Thielen's with Choice team members at the foundation's Winter Topgolf Classic Fundraiser.



Adam and Caitlin Thielen visit youth at the University of Mary Masonic Children's Hospital.

HOSPICE FUNDRAISERS



Sue Kasowski (right) leading the food station at our Go Hawaiian for Hospice event in Fargo, ND. Sue, along with Erv Inniger, initiated the idea to raise money for Hospice care through an annual event. This idea has now spread across the state of North Dakota.

Annual Hospice Events

This year our annual Hospice events took place in 4 cities across North Dakota: Fargo, Bismarck, Dickinson, and Grand Forks. Collectively we were able to raise a total of \$229,458.00, which brings us to a grand total of \$766,948.67 raised for Hospice organizations since we started this initiative back in 2013. This was the first year we hosted a Hospice event in Grand Forks where we honored heroes including police officers, firefighters, paramedics, and local armed forces. The event was such a hit that the only problem we came up against was running out of food!

Growth

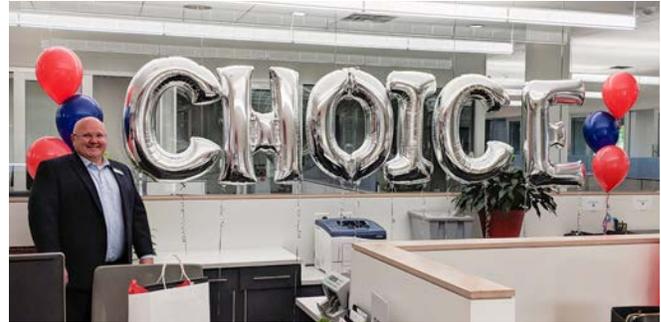
VENTURE PARTNERSHIP

Expanding Into The Twin Cities

After months of preparation, we officially acquired Venture Bank, a \$750 million commercial bank with 4 locations in the Twin Cities on September 14, 2018. Our partnership with Venture Bank has allowed us to execute on our vision of growth by expanding into a new market with a bank that has similar values and history. Venture Bank was co-founded in 2001 by Michael Zenk and Gwen Stanley to provide a better banking experience to Twin Cities businesses. With over 600 years of collective banking experience, our Venture team members helped over 5,000 local businesses start, grow, and prosper.

Over 84% of total loans funded were for local businesses! With their strong focus on business banking, diverse experience in numerous industries, and a passion for connecting with people, Venture built a strong reputation in the Twin Cities marketplace. Repeatedly recognized as a top performing bank in MN, Venture shares similar industry recognitions with Choice such as Best Places to Work and Fastest Growing Community Banks.

Like Choice, Venture Bank showed a strong commitment to bettering the communities they served through employee giving, local sponsorships, volunteerism, and specialized lending programs. Since 2001, Venture Bank has serviced \$400 million in loans to businesses serving low-moderate income communities and had 100% employee participation in their annual Giving Campaign which has raised a total of \$770,238.04 in donations for local nonprofits.



We officially opened our doors as Choice in the Twin Cities on September 17, 2018. Choice Champs from North Dakota also came down to help make sure everything ran as smooth as possible!



Employees from the Eagan, MN location gave a toast to celebrate the new beginnings.

Growth

INSURANCE TEAM GROWTH



Our Growing Insurance Team

This year we welcomed several new employees to our insurance team throughout North Dakota including 4 new agents as well as a new partnership most recently in December. With these new additions, we now serve nearly 6,000 clients across 35 states! Their knowledge and expertise covers a number of industry groups including oil and gas, construction, transportation, and technology, as well as more unconventional areas such as life sciences. Heading into 2019, we are looking to continue to grow our insurance department that includes a significant partnership with an agency in the Twin Cities area that will add 40 new team members to our family.

We're excited to have such talented individuals on this growing team who continue to bring value to our customers' relationships through their passion and expertise.



Top: The Insurance Team all-hands meeting in Fargo. In early 2019, the insurance team is expected to grow to near 100. Left: Colten Heagle heading out on a Sunday to help a customer board his home's windows after a devastating hail storm.

MOORHEAD LOCATION

New Location

We've found a new place to call home! Our brand new location will be opening in the first quarter of 2019 in Moorhead, MN at the intersection of 8th Street and Main Avenue. We've been working closely with development and property management firm Epic Companies, and Downtown Moorhead Inc., a non-profit committed to the revitalization of downtown Moorhead. We will be one of several commercial tenants moving into the distinctive Block E building complex, which is a multipurpose building that will also have 12 residential units on the upper floors. Downtown businesses and local residents are both just as excited to have us as we are to be there!



Rendering of The Block E Building that is nearing completion on the corner of 8th Street and Main Avenue in Moorhead, MN.

Wishing Well

Wishing Well

The Wishing Well program was inspired by a team building event in which Choice employees were challenged to think of new ways we could build upon our core values and better the places we live. The program encouraged people to identify a need in their community and make a wish to fulfill that need. Wishes were accepted at all our rural locations and online through November 2, 2018. A committee of Choice employees spent the next month reviewing wishes and allocating resources to fulfill submitted wishes. The first two wishes were granted in Moorhead, MN, and LaMoure, ND during the week of Christmas. The Moorhead wish surprised Kendra Block, a single mother who goes to school full-time and works part-time, and her 8-year-old daughter with Christmas gifts for the holiday season. The wish in LaMoure was granted to Litchville-Marion School to help expand their Secret Santa program to include all students from elementary school to high school. Additional wishes have already been selected and will continue being granted throughout 2019.



Design of the Wishing Wells that were placed in our rural locations. Community members could submit as many wishes as they wanted; big or small.



Landon Poss, Katie Thorlaxson, and Amy Ebensteiner with Kendra Block and her daughter Macy after delivering Christmas gifts.



Brett Thielges and Jen Lano attending the Secret Santa exchange with Dave Handt, a teacher at Litchville-Marion School in LaMoure, ND.

Executive Team



LISA ARTZ
EVP, Director of
Corporate Relations
Fargo, ND



JEFF BAJEK
SVP, Chief Credit Officer
Golden Valley, MN



TRAVIS BARKVE
EVP, Chief Strategy &
Operations Officer
Golden Valley, MN



MIKE BOUB
President, Choice
Financial Services, Chief
Revenue Officer
Fargo, ND



CRYSTAL HATCHER
SVP, Chief Risk Officer
Golden Valley, MN



TIM HEILMAN
EVP, Chief Brand &
Innovation Officer
Fargo, ND



BRIAN L. JOHNSON
Chief Executive Officer
Grand Forks, ND



BRIAN P. JOHNSON
EVP, Chief Operating
Officer
Golden Valley, MN



TIM KARSKY
President, Choice Bank
North Dakota, Chief
Commercial Officer
Fargo, ND



KARA LOMBARD
SVP, Chief People
Strategies Officer
Bloomington, MN



GWEN STANLEY
EVP, Director of Finance
Roseville, MN



MICHAEL ZENK
President, Choice
Bank Minnesota, Chief
Commercial Officer
Golden Valley, MN

Community Impact

7,276 HOURS OF
VOLUNTEER SERVICE

From packaging food at our local food banks, to serving on community boards—our team members have a passion to better the places we live.

U.S. SMALL
BUSINESS
ADMINISTRATION

Director's Award

Choice Bank was a top SBA lender in North Dakota in 2018. In addition, we secured their "Preferred Lender Status" allowing us to help more small businesses in our communities.

2018 Corporate Leader in Philanthropy

Choice was presented with the Corporate Leadership in Philanthropy Award by the Association of Fundraising Professionals for our significant contributions towards fulfilling Hospice needs in our communities.

\$229,458

RAISED IN 2018 FOR
HOSPICE CARE

FARGO
\$107,403
HOSPICE OF THE
RED RIVER VALLEY

BISMARCK
\$62,785
SANFORD
HOSPICE CARE

DICKINSON
\$33,587
CHI HOSPICE

GRAND FORKS
\$25,683
ALTRU HOSPICE

\$300,000

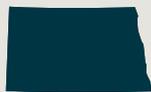
#PEOPLEFIRST PARTNERSHIP

Choice committed \$300,000 to The Thielen Foundation as both our organizations work to put PeopleFirst and better the places we live.



GIVING CAMPAIGN

For our Minnesota Giving Campaign, employees packed over **300 personal hygiene kits** that were donated to local food shelves, and employees pledged **\$56,978** to United Way and Community Shares. With Choice's match, the total community impact was **\$113,956**.



GIVING HEARTS DAY

On Giving Hearts Day, February 8, 2018, **132** employees made over **230 donations** to local nonprofits they are passionate about totaling **\$10,287**. Choice matched these donations up to a predetermined amount, bringing the total to **\$16,227**.

CHOICE WEALTH Top Program

Our Wealth Department broker dealer, LPL Financial recognized Choice Wealth as a Top Program in it's deposit category in 2018.

AMERICAN BANKER MAGAZINE Best Bank to Work For

2018 marks the 4th year in a row Choice Bank has been recognized as a Best Bank to Work for in the U.S.