



2020 Shareholder Report





Brian L. Johnson
CHIEF EXECUTIVE OFFICER

THERE IS SO MUCH to unwrap when looking back at this past year, with the impact to our health, personal connectivity, education, and our social and work environments. The year 2020 entailed a wide range of emotion and experience for people, from near devastation to creating opportunities to serve our communities when they needed us the most.

For Choice, it was no different. Our team lost family members, our communities endured physical and economic disaster. However, we also experienced great feats of service and accomplishment through the PPP for businesses, volunteering in our communities, and working with our customers to weather this storm and help them survive. Through it all, our employees held true to our core values and #PeopleFirst approach that enabled them to be part of the solution.

I could not be more grateful for what our team did to make a difference in our communities. Choice employees demonstrated leadership and value to our communities, ensuring our customers that Choice will see them through these turbulent times. All the while, we've been here to serve by volunteering, collaborating, and donating our resources to restore the businesses in the communities we love.

COVID-19 will forever reshape Choice as customer interactions, employee work experiences, and how



Minnesota team members rally together to help bring relief to the communities experiencing loss during the riots.

business is conducted and accomplished is forever changed. As an essential business, the health and safety of employees and customers is our top priority and the pandemic challenged us to find innovative techniques and deliveries to ensure we were continuing to meet the needs of customers.

Our effort in this arena was second to none. Our PPP efforts attracted national attention with a story in the *Wall Street Journal* and a follow-up feature segment on *CNN*. While national attention is flattering, it was the hundreds (if not thousands) of acts of kindness, long hours, and finding a way to "Do the Right Thing" that will be the reputation and legacy of this organization.

ACHIEVEMENTS

While 2020 required a huge amount of our time and energy to be spent on efforts that might not appear on a scoreboard, the team still delivered a record year of earnings for our shareholders. Pre-tax income for 2020 was \$63.1 million, compared to \$47.3 million in 2019. Our improvement was the result of PPP income, Fintech operations, and revenue growth from insurance, wealth, mortgage, and benefits.

This was a tremendous jump in profitability, and we believe that 2021 offers as much promise. We still have income from the first round of PPP loans to book, a second round of PPP will further add to this, and we believe our other non-interest income business will continue to grow as we broaden our reach with new relationships. We also continue to increase the number of relationships, and thus revenue, with our existing customers.

The tangible book value of our stock at year end is about \$185/share, and we had hit our highest share price sale at \$350/share, which shows that our shareholders recognize the performance but also believe our future is promising.

"While national attention is flattering, it was the hundreds (if not thousands) of acts of kindness, long hours, and finding a way to 'Do the Right Thing' that will be the reputation and legacy of this organization."

Our shareholder base continues to broaden with BancList providing a platform to bring buyers and sellers together. The board approved an equity plan for key employees that we view as a great investment in our talented employees, allowing them to share appreciation of stock value and be rewarded for their longevity with Choice.

WHAT'S NEXT

There are so many forces that have not only shifted our world at Choice, but also the worlds of our customers and communities. While COVID-19 will forever be remembered for changing our lives, its impact on social interactions related to causes, consumption, and even investing has shifted a significant amount of influence and power to individuals joining together through platforms and forums.

While we can't know where this goes from here, it does reinforce that Choice needs to continue to build resources through growth, opportunities, and diversity of talent and revenue streams to create and match the demands of future generations.

Choice's team will continue to rise to the challenges and expectations within our competitive landscape. Growing and diversifying our business model has delivered results that have put us in a strong position to move forward. This will provide the opportunity to build our enterprise value and continue to build investment value for our shareholders.

IN CLOSING

This February marks 10 years since I was given the opportunity to lead the company as CEO. I have been with Choice since its inception. We have witnessed, endured, and embraced the challenges and opportunities at Choice, not only within our space of finance but also the broader range of social,

economic, and political changes and shifts. I have had the privilege of seeing people who care about our customers and communities continually step up, grow, and dedicate themselves. They have worked to pave a course for Choice and their teammates, no matter where we go or how high we try to climb. Today, Choice is still a place founded in a strong set of core values that embraces what life brings, no matter the challenge.

The events of 2020 – a health crisis, social injustices, political divisions, economic hardship, parental education, and home/work balance challenges – undoubtedly fractured a number of communities and organizations across this country. It speaks to the integrity and caring people we have at Choice. When one looks at us, they see an organization that supports a community with under 1,000 people that almost touches Canada; to a western lifestyle and culture in the Badlands; to metropolitan areas with significant populations and diversity. In spite of these challenges, Choice is going into 2021 stronger, closer and more committed to make a positive impact in our communities and throughout the Midwest.

This is because of the alignment of our values of working hard, doing the right thing, and bettering the communities we live in and serve. We will continue to listen first, respect diversity of thought, and be driven by what we can get done rather than what we did not.

You have invested well - in great people that put #PeopleFirst!!

Take care,

2020 Choice Footprints



Choice Footprints is an annual recognition and reward program that highlights the achievements of top-performing team members who leave lasting footprints in our organization's growth and prosperity. Team members nominate their peers based on characteristics and behaviors that exemplify Choice's Core Values. In 2020, 192 Choice team members were nominated.



LEFT TO RIGHT

Melissa Block
Bloomington, MN

Kevin Doyle
Roseville, MN

Ashley Farthing
Bismarck, ND

Karla Janke
 Fargo, ND

Senada Ranglall
Bloomington, MN

Bridget Hansen
Golden Valley, MN

Liz Van Aarde
Ellendale, ND

Samantha Berg
Grand Forks, ND

Mark Haug
Bloomington, MN

Lisa Zimmerman
Steele, ND



Samantha Berg (left) surprises Kris Stroh (middle) and Kristi Tessier (right) during filming of the 2020 Choice Anniversary Party.

Rise Up Program

The Rise Up recognition and reward program is a way for team members to acknowledge each other for going above and beyond – or simply for their everyday hard work. In 2020, 2,632 Rise Ups were submitted. Our top submitter, Kris Stroh (Steele, ND), wrote 85 Rise Ups for colleagues, and our top recipient, Kristi Tessier (Belfield, ND), received 43 Rise Ups. They each won a personalized gift or trip at our Anniversary Party in November – they know the value of recognizing and celebrating others!

2020 Financial Highlights

Choice Financial Group

INCOME STATEMENT DATA	2020	2019	CHANGE
Interest Income	119,073,640	118,132,888	0.80%
Interest Expense	15,125,653	22,904,865	-34.00%
Net Interest Income	103,947,987	95,228,023	9.20%
Provision for Credit Losses	6,933,900	5,361,732	29.30%
Non-Interest Income	25,482,360	17,529,540	45.40%
Non-Interest Expense	59,419,136	60,131,667	-1.20%
Income Before Income Taxes	63,077,311	47,264,165	33.50%
Income Tax Expense	15,195,400	11,775,824	29.00%
Net Income	47,881,911	35,488,341	34.90%

AT DECEMBER 31

Assets	2,824,952	2,380,164	18.70%
Securities	418,357	304,800	37.30%
Loans & Leases	2,307,516	1,973,376	16.90%
Allowance for Credit Losses	20,240	16,811	20.40%
Deposits	2,441,265	2,028,272	20.40%
Total Stockholders' Equity	325,539	288,886	12.70%

OPERATING RATIOS

Return on Average Equity	20.70%	17.20%	20.70%
Return on Average Assets	2.40%	2.20%	10.60%
Efficiency Ratio	45.90%	53.30%	-13.90%
Equity/Assets	11.50%	12.10%	-5.10%

Choice Financial Holdings, Inc.

AT DECEMBER 31

Outstanding Debt - Trust Preferred Securities	28,080,000	28,006,000	0.30%
Total Stockholders' Equity	313,437,000	276,827,000	13.20%

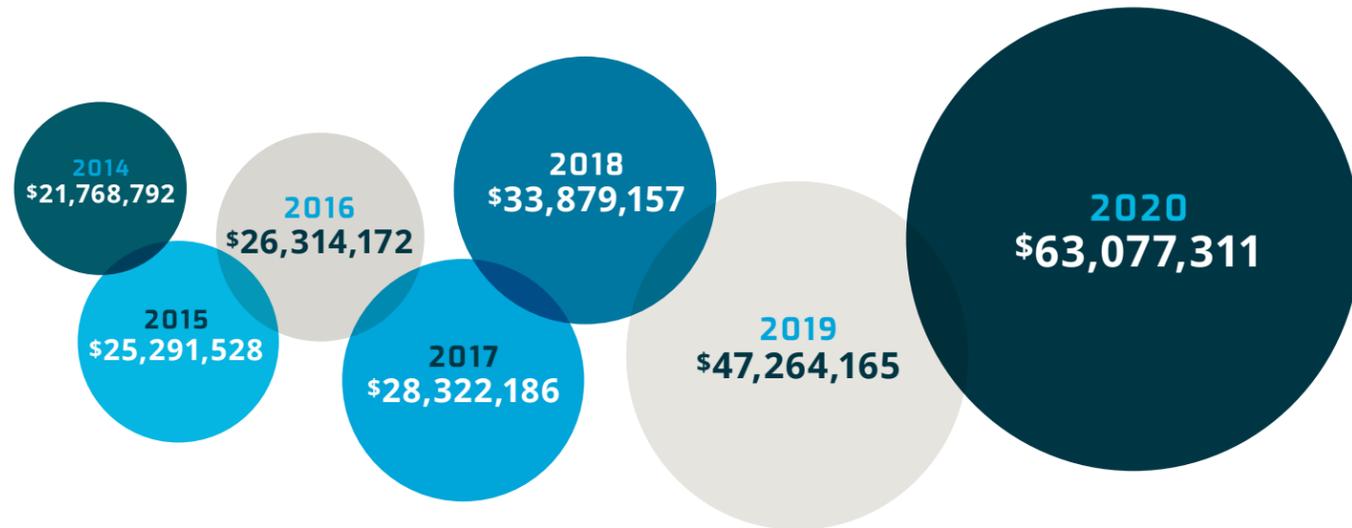
PER COMMON SHARE Shares Outstanding = 1,048,011 on 12/31/2020

Earnings Per Share	\$43.55	\$31.41	38.60%
Dividend Paid Per Share	7.50	7.50	-
Book Value Before Annual Dividend	264.75	229.81	15.20%
Book Value After Annual Dividend	257.25	222.31	15.70%
Book Value Growth Rate After Dividends	15.72%	9.60%	-

NOT AUDITED

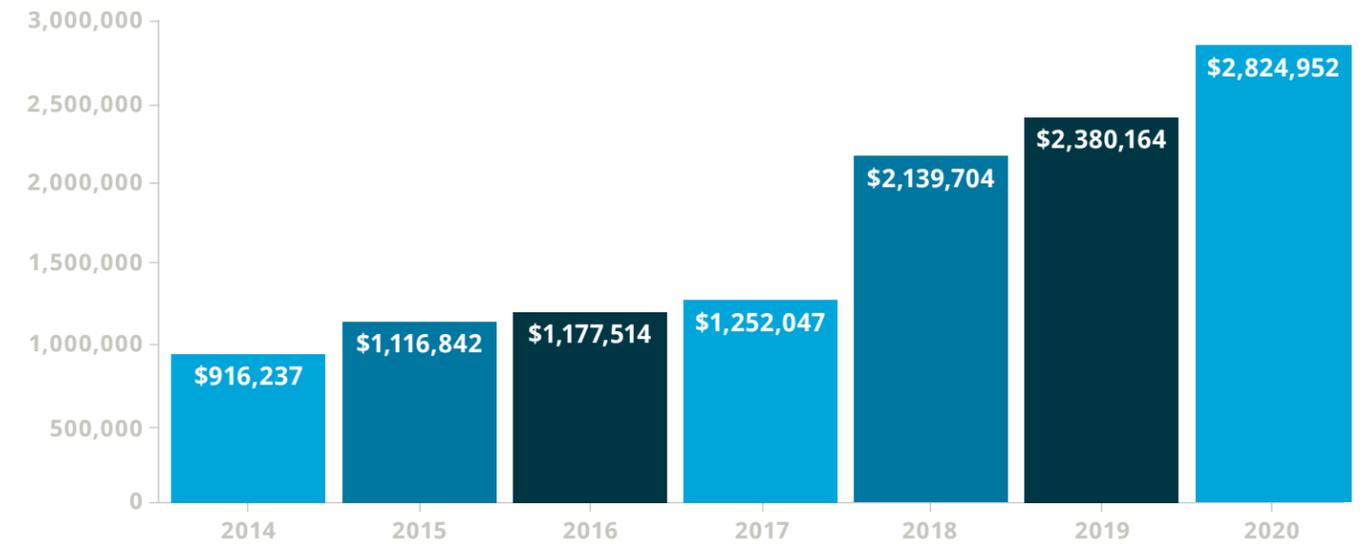
2020 Financial Highlights

Pre-Tax Net Income

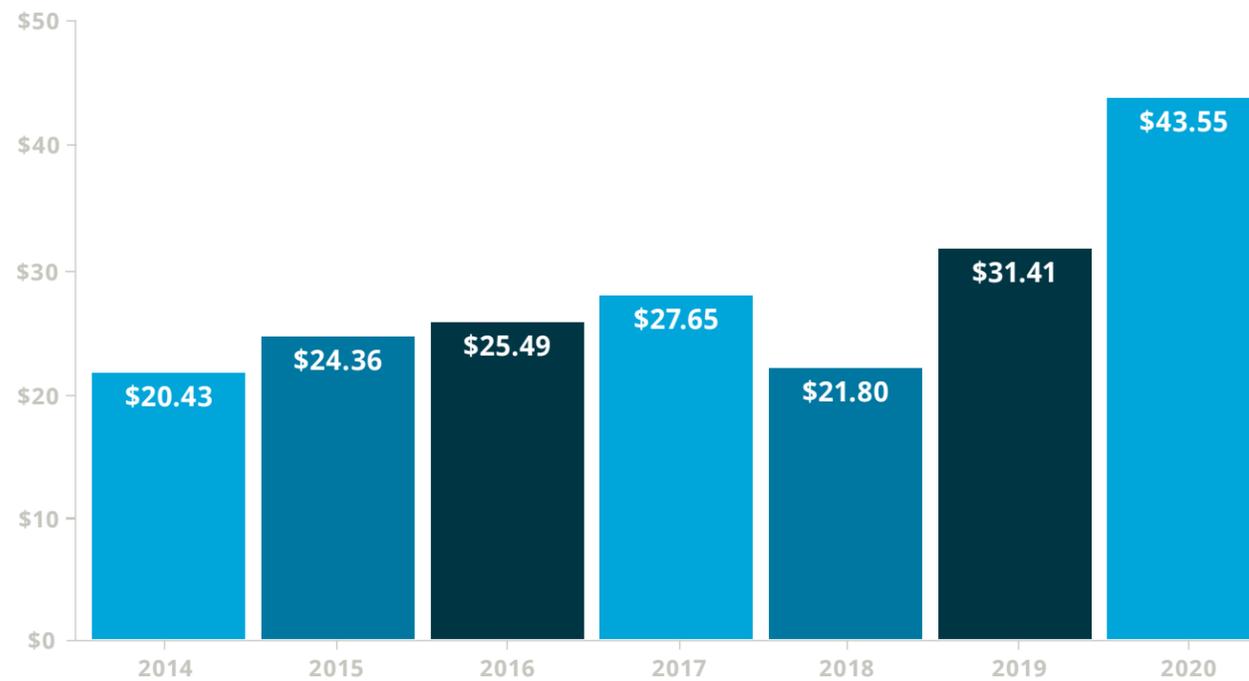


2020 Financial Highlights

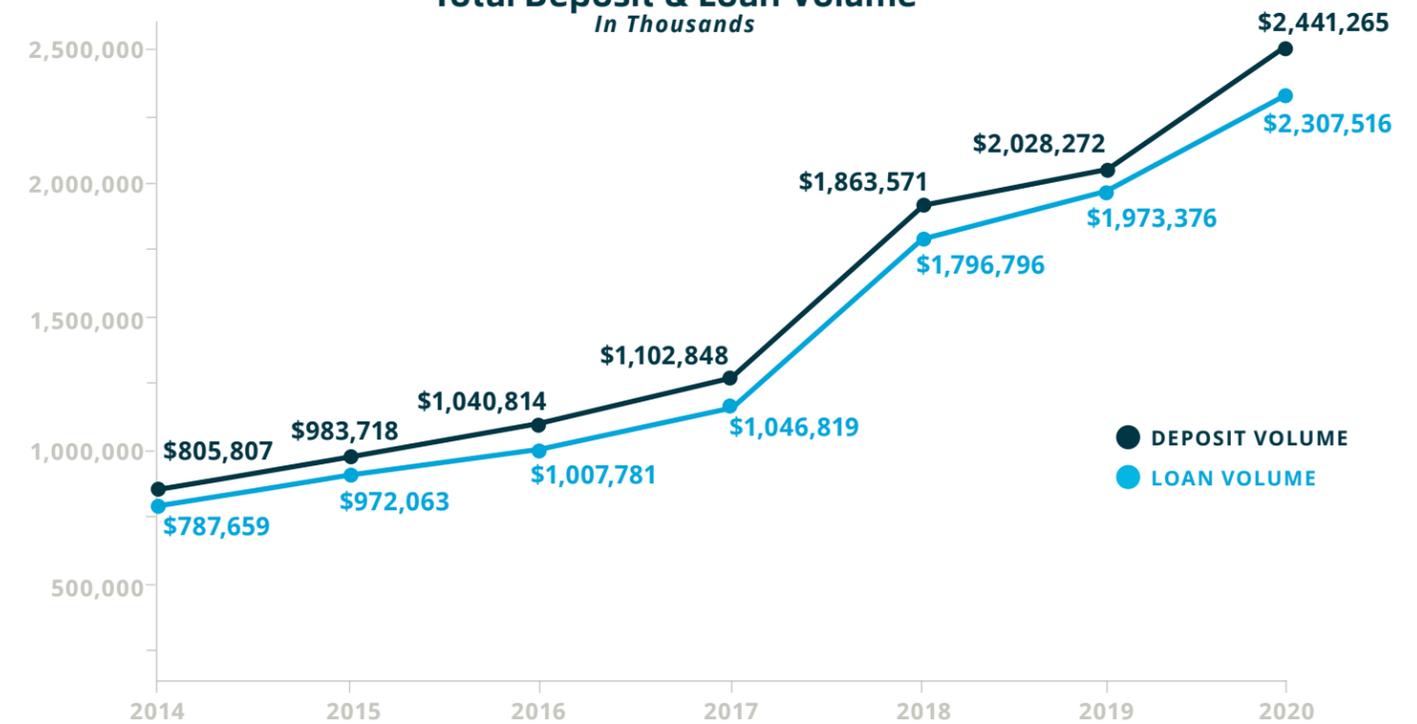
Total Assets
In Thousands



Earnings Per Common Share
Split-Adjusted

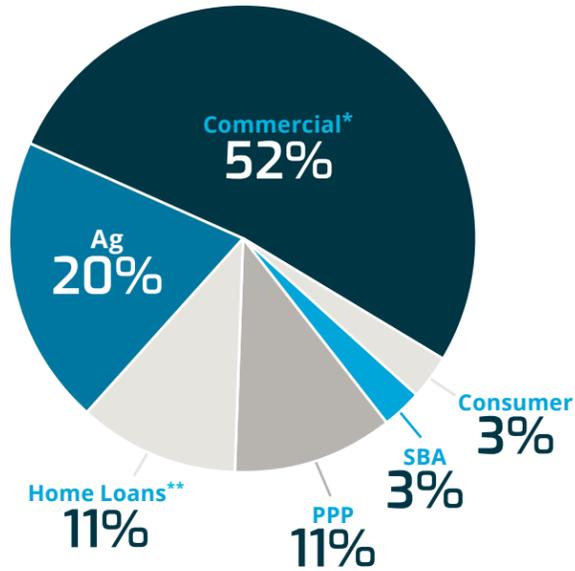


Total Deposit & Loan Volume
In Thousands



2020 Growth

Gross Bank Loan Portfolio



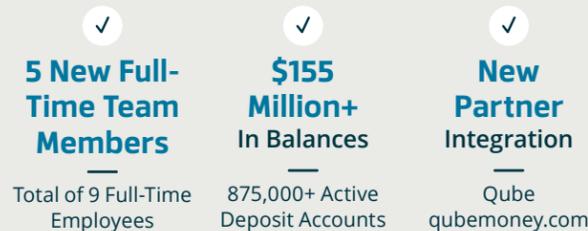
*Commercial Breakdown – Owner Occupied CRE (12%), Non-Owner Occupied CRE (11%), 1-4 Family/Multi-Family Investments (8%), Lines of Credit (13%), Commercial Term Loans (13%), Construction/Development (3%), Leases (1%)
 ** Home Loans includes In-House, HELOC, and Secondary Market



Fintech

Growth in the past several years is a testament to the strong relationships being built between Fintech companies and banks. Choice continues to position itself as a best-in-class bank partner. Our partners (Lively, Current, and Lili) continue to lead in their markets and are recognized for their success in the industry. Our ability to be nimble, advantageous, and creative allows us to be a leader in bank partnerships.

2020 Fintech Growth



Benefits

Through partnerships with a wide range of reputable and trusted insurers, our Benefits customers have flexibility in the services and coverages they offer to their employees. The Benefits team serves businesses from as little as 2 employees to over 1,600 employees in 20 different states. Their growing team of 8 now serves over 1,000 individuals. In 2020, total commission revenue generated was \$1.6 million, a year-over-year increase of 28%.

*** Choice Bank *** Top Performing Bank

For the sixth year in a row, Choice was named a Top Performing Community Bank by the Independent Community Bankers of America (ICBA). Out of more than 750 banks in the nation with assets over \$1 billion, Choice came in at #21.



2020 NORTH DAKOTA Top Ag Bank

Planting roots and nurturing growth has always been a commitment of ours. In 2020, Choice was recognized as a leading expert in ag lending as a Top Ag Bank by the American Bankers Association (ABA).

2020 Growth



Insurance

It's been a great year of continued growth for our insurance division as they continue to extend their reach across both personal and commercial lines. Since the end of 2019, our Insurance team has evolved and now has a client base reaching over 12,000 insureds across 46 states.

1,363
New Business Banking Customers IN 2020



Home Loans

This past year brought a record high growth to the home loans department. The team closed 821 individual loans and grew their servicing portfolio by 66%.

HOME LOANS TEAM GENERATED **\$5.68 Million** GROSS REVENUE IN 2020

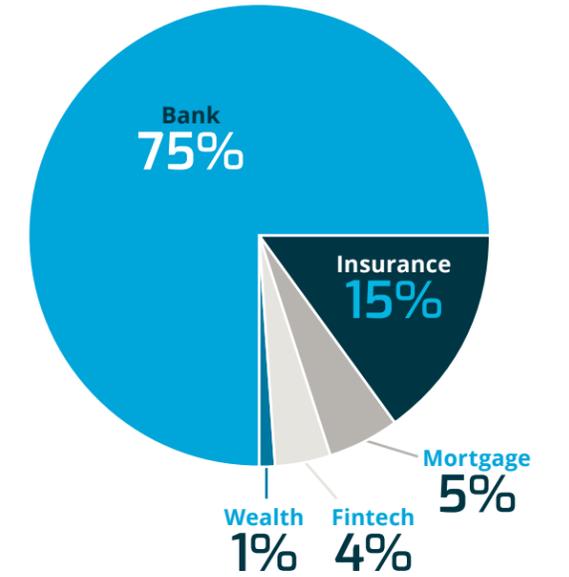


Wealth

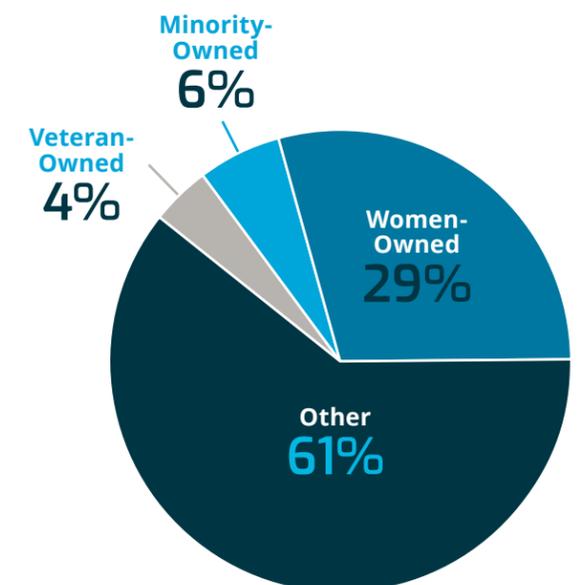
The Wealth team has focused on steadily growing their expertise and reach. Now with customers in 30 states and Puerto Rico, they are serving 7,650 wealth clients with 16,500 accounts resulting in over \$1 billion total assets under management.

CONTINUED TO SERVE CUSTOMERS AS AN Essential Service Provider

Business Unit Revenue



Total SBA & PPP Loans



*Values are approximate based on applications with demographic questions answered and have applied for PPP forgiveness.

COVID Response

Helping Our Employees

0 Furloughs or Layoffs

Choice has continued to make necessary changes to ensure the safety (physically, mentally, and financially) of our employees remains a number one priority.

0 Impact to Pay

COVID pay was established so even when our employees could not work due to location closures, family needs, and illness, they were assured pay.



Internal Wishing Well

Funds were set aside from our Wishing Well program to provide anonymous support to our employees impacted by pandemic-related hardships.

Remote Work

As COVID struck, we were quick to set up a large portion of our employees for remote work. Our success with this came from the following:



Prior to the pandemic, our IT team had invested in and adopted state-of-the-art technology, making remote work a smooth transition.



With the shut down of many schools and daycares, Choice offered flexibility to help balance parenting and working.



Cultural events like Choice U, the Anniversary Party, and Ignite were adapted to be held virtually allowing everyone to attend.

Helping Our Communities



Payment Protection Program (PPP)

During the first round of PPP, Choice secured funding for **2,000+ businesses** protecting **38,000+ jobs** in our communities. Business loans ranged from **\$2,500 to \$5 million+** with an average loan amount of **\$249,000**.

“By that measure, [Choice] was more than **13x** as active as **JP Morgan**, which is **1,000** times its size.”

– WALL STREET JOURNAL



Educational Webinars

The "Taking Care of Business Webinar Series" was created to help educate our customers and the public on applicable topics free of charge.



75% of Choice Employees

As a team effort, 75% of our 420 employees worked on some part of the PPP loan process.

Additional Assistance

To better serve our customers, we offered a 6-month deferral option on select loan payments and updated our remote banking options to provide additional flexibility and financial comfort.

Executive Team



Lisa Artz
EVP, DIRECTOR OF CORPORATE RELATIONS
Fargo, ND



Travis Barkve
EVP, CHIEF STRATEGY & OPERATIONS OFFICER
Golden Valley, MN



Mike Boub
EVP, PRESIDENT OF CHOICE FINANCIAL SERVICES, CHIEF REVENUE OFFICER
Fargo, ND



John Fritz
PRESIDENT, CHOICE BANK MINNESOTA, CHIEF COMMERCIAL OFFICER
Golden Valley, MN



Tony Gudajtes
EVP, AG MARKET PRESIDENT
Grafton, ND



Julie Dahle
EVP, CHIEF RISK OFFICER
Bismarck, ND



Tim Heilman
EVP, CHIEF INNOVATION OFFICER
Fargo, ND



Brian L. Johnson
CHIEF EXECUTIVE OFFICER
Grand Forks, ND



Brian P. Johnson
EXECUTIVE DIRECTOR OF BANKING & BUSINESS DEVELOPMENT
Golden Valley, MN



Tim Karsky
PRESIDENT, CHOICE BANK NORTH DAKOTA, CHIEF COMMERCIAL OFFICER
Fargo, ND



Chris Kildahl
EVP, CHIEF FINANCIAL OFFICER
Fargo, ND



Scott LeDuc
EVP, CHIEF CREDIT OFFICER
Grand Forks, ND



Kara Lombard
EVP, CHIEF PEOPLE STRATEGIES OFFICER
Bloomington, MN

Crystal Hatcher's Retirement

After a successful 20 years in banking, Crystal Hatcher, EVP & Chief Risk Officer, plans to retire this spring.

Her leadership has made us a better bank and her absence will be felt by everyone who worked with her over the years. She has worked incredibly hard and earned this opportunity to relax, reflect, and consider what comes next.





George Wald
VICE CHAIRMAN OF THE BOARD

DURING 2020 there were many challenging events that occurred and some of those events will change the way we interact and transact business well into the future. As you may remember, the 2020 annual shareholders meeting of Choice Financial Holdings, Inc. was conducted remotely using virtual technology on April 16, 2020. Definitely a first!

At last year's annual shareholder meeting, the shareholders passed a 40 to 1 stock split on Common shares. This stock split offered several benefits. First, it provided an opportunity for implementing an employee stock plan. This plan is intended to reward management retention, increase employee ownership, and align employees with the interests of shareholders. It is the board's belief that the new stock plan will encourage and reward our continued stellar financial performance. The stock split will also make it possible for more individuals to purchase stock and enhance overall shareholder liquidity.

The COVID-19 pandemic caused our company to adapt to a variety of different technological and practical solutions to keep our employees, customers and communities safe. I would like to compliment management and the Board for being aggressive and proactive in changing many of our customary operating procedures, which helped accomplish the goal of safety and continued operational profitability.

During 2020, the Board of Directors began a process of evaluating its governance of the company and its operating entities. With the amazing growth in asset size and geographic reach, the Board is determined to continue the tradition of high performance, customer focus, and a great place for employees. As part of our continuing high performance, we will increase our focus on the growth of our non-interest income. On September 30, 2010, there were 6,570 FDIC-insured commercial banks and on September 30, 2020,



Lauris Molbert
CHAIRMAN OF THE BOARD

there were 4,404, a reduction of 33%. We believe this trend will continue and possibly accelerate especially in the Upper Midwest. The Board intends that Choice will be one of the remaining financial institutions.

In January of 2021, the Board reorganized its leadership. Director Lauris Molbert was elected Chair of the Company and Chairman of the Subsidiary Bank Board. Lauris has been a member of Choice's Boards since 2016 and brings a wealth of prior board and leadership experience in both privately- and publicly-traded sectors. I am excited to embrace the upcoming changes and challenges and believe they will aid in our organization's path forward.

In closing, please sign up for Banlist.com if you haven't yet. Thank you again for your continued investment and welcome to the new shareholders.

I WISH TO FIRST ACKNOWLEDGE and thank George for his years as the Chair of the Board. They are big shoes to fill and I am grateful to have George serving as the Vice Chair.

I echo what George highlighted. With its #PeopleFirst culture in full display, the team at Choice achieved amazing performance despite the challenges that resulted from the unexpected arrival of COVID-19. There was really no playbook for what happened, but despite the challenges Choice had a record year in income and total assets. Equally important, the company was able to serve its customers with the high quality and responsiveness that Choice is known for by leveraging new investments in technologies and simple old-fashioned resourcefulness and hard work. Thank you Choice employees for your teamwork, your focus on customers, and living the Choice values. You make us very proud and we are grateful for your service and dedication to Choice.

To our shareholders, thank you for your confidence in the company. We know you have many options and other opportunities for your investments, and we will work hard to maintain that confidence.

Board of Directors



Joe Bata
ADAMS, ND
Board Member Since 2001



Tom Campbell
GRAFTON, ND
Board Member Since 1994



Erv Inniger
FARGO, ND
Board Member Since 2007



Brian L. Johnson
GRAND FORKS, ND
Board Member Since 2006



Clay Swanson
HOOPLE, ND
Board Member Since 1994



Craig Tweten
GRAND FORKS, ND
Board Member Since 2006



Rodger Johnson
GRAND FORKS, ND
Board Member Since 1994



Susan Mathison, MD
FARGO, ND
Board Member Since 2016



Lauris Molbert
OCEAN RIDGE, FL
Board Member Since 2016



Candace Muggerrud
BISMARCK, ND
Board Member Since 2016



George Wald
DICKINSON, ND
Board Member Since 2014



Michael Zenk
MAPLE PLAIN, MN
Board Member Since 2018

2020 TOTALS
Choice Shareholders
 367 Total Shareholders
 15,394 Shares Changed Hands
 44 New Shareholders Added
 84 Employee Shareholders
 \$360/Share Recent Sale Price
 \$317/Share Average Sale Price

Community Impact



Kim Kaufman

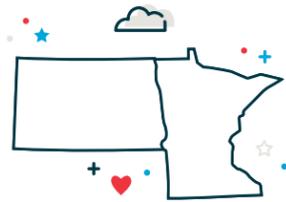
From teaching local business women how to improve their golf game at our Women's Networking Event to supporting community groups like Bio Girls, Kim has played a great part in our #PeopleFirst efforts.



THIELEN
FOUNDATION

Adam Thielen

While we weren't able to host the Thielen Foundation Fundraiser Gala this year due to COVID-19, we were able to partner with The Thielen Foundation for an all-day radiothon to raise additional donations for COVID-19 relief efforts led by Salvation Army North, Second Harvest Heartland, M Health Fairview, and the MN Disaster Recovery Fund for Coronavirus. With the help of many generous donors, we were able to raise a total of \$280,000.



Wishing Well

Born from a challenge to come up with a #PeopleFirst idea that would show how much we care for our communities, the Choice Bank Wishing Well Program encourages individuals in our communities to submit wishes for those they saw as most in need. In 2020, we granted a total of 20 wishes and revamped the program to be able to accept virtual wishes via our new website choicewishingwell.com in an effort to reach more people during COVID-19.

Youthlink

Youthlink is a nonprofit in downtown Minneapolis that works with homeless youth. For the homeless, socks offer protection from the cold and diseases, access to life-saving resources (as many walk miles a day for food and work), and confidence in their appearance. Choice Bank believes in bettering the places we live and has made a donation of 500 pairs of socks and \$20,000.



BIO Girls

The mission of BIO Girls' is to increase the self-esteem of adolescent girls through a 12-week program. Choice has increased our support of the program in an important capacity: by funding scholarships for low-income participants. In 2020 alone, we have already enrolled over 150 girls through scholarships—making up over 12 percent of total registrations.



Community Impact



In 2020, our employees gave

5,032

hours of

VOLUNTEER SERVICE

Putting people first drives our everyday decisions and influences how we treat our customers, colleagues, and community. From delivering food to people in need, to educating youth on financial responsibility, to coaching community sports teams—our team members have a passion to better the places we live.

RIOT EFFORTS

Rebuilt with Resilience

Our team members came together in various ways for our communities impacted by the recent unrest. Team members donated over \$3,000 to go toward purchasing diapers as well as many other household supplies and food to give back to those in need in the community. Others spent time helping rebuild and donated money for repair expenses.



MAKING BLANKETS For Good

As part of our annual leadership retreat (Ignite), employees made ponchos and dialysis blankets, wrote letters, and assembled care packages for local nursing home residents in response to the COVID-19 isolation.

\$141,920

RAISED IN 2020 FOR

HOSPICE CARE

For the eighth year in a row, we rallied our communities to join us for our annual hospice fundraising celebrations across North Dakota.

FARGO
\$56,574
HOSPICE OF THE RED RIVER VALLEY

BISMARCK
\$55,596
SANFORD HOSPICE CARE

DICKINSON
\$22,500
CHI HOSPICE

GRAND FORKS
\$7,250
ALTRU HOSPICE

2020 GIVING CAMPAIGN



GIVING HEARTS DAY

In 2020, employees donated \$10,615 to 107 charities in ND and northwest MN for Giving Hearts Day. Choice matched these donations up to a predetermined amount, bringing the total to \$15,160.



GIVE TO THE MAX DAY

For the first year ever, Choice employees participated in Give to the Max Day. Employees donated \$7,433 to 38 different non-profit organizations! With Choice's match, we were able to give \$8,958 back to the community.



CHOICE BANK



**CHOICE
BENEFITS**



choice fin



**CHOICE
WEALTH**



**CHOICE
HOME LOANS**



**CHOICE
INSURANCE**

#PeopleFirst

bankwithchoice.com

insurewithchoice.com

choicewealth.com

choicefin.io

