

# CHOICEONE FINANCIAL SERVICES INC

## **FORM 10-Q** (Quarterly Report)

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
**FORM 10-Q**

☒ **Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended March 31, 2025

☐ **Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: **001-39209**

**ChoiceOne Financial Services, Inc.**

(Exact Name of Registrant as Specified in its Charter)

**Michigan**

(State or Other Jurisdiction of  
Incorporation or Organization)

**38-2659066**

(I.R.S. Employer Identification No.)

**109 East Division**

**Sparta, Michigan**

(Address of Principal Executive Offices)

**49345**

(Zip Code)

**(616) 887-7366**

(Registrant's Telephone Number, including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

Smaller reporting company ☒

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common stock	COFS	NASDAQ Capital Market

As of April 30, 2025, the Registrant had 14,984,253 shares of common stock outstanding.

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## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements.

#### ChoiceOne Financial Services, Inc. CONSOLIDATED BALANCE SHEETS (Unaudited)

(Dollars in thousands, except share data)	March 31, 2025	December 31, 2024
<b>Assets</b>		
Cash and due from banks	\$ 137,105	\$ 96,401
Time deposits in other financial institutions	2,316	350
Cash and cash equivalents	139,421	96,751
Equity securities, at fair value (Note 2)	9,328	7,782
Securities available for sale, at fair value (Note 2)	480,650	479,117
Securities held to maturity, at amortized cost net of credit losses (Note 2)	394,434	394,534
Federal Home Loan Bank stock	18,562	9,383
Federal Reserve Bank stock	12,357	5,307
Loans held for sale	3,941	7,288
Loans to other financial institutions (Note 3)	2,393	39,878
Core loans (Note 3)	2,922,562	1,505,762
Total loans held for investment (Note 3)	2,924,955	1,545,640
Allowance for credit losses (Note 3)	(34,567)	(16,552)
Loans, net	2,890,388	1,529,088
Premises and equipment, net	44,284	27,099
Other real estate owned, net	2,365	473
Cash value of life insurance policies	73,765	44,896
Goodwill	126,730	59,946
Intangible assets	35,153	1,096
Other assets	74,013	60,483
Total assets	\$ 4,305,391	\$ 2,723,243
<b>Liabilities</b>		
Deposits – noninterest-bearing	\$ 912,033	\$ 524,945
Deposits – interest-bearing	2,672,401	1,652,647
Brokered deposits	67,295	36,511
Total deposits	3,651,729	2,214,103
Borrowings	137,330	175,000
Subordinated debentures	48,186	35,752
Other liabilities	41,078	37,973
Total liabilities	3,878,323	2,462,828
<b>Shareholders' Equity</b>		
Preferred stock; shares authorized: 100,000; shares outstanding: none	-	-
Common stock and paid-in capital, no par value; shares authorized: 30,000,000; shares outstanding: 14,975,034 at March 31, 2025 and 8,965,483 at December 31, 2024	398,075	206,780
Retained earnings	73,316	91,414
Accumulated other comprehensive loss, net	(44,323)	(37,779)
Total shareholders' equity	427,068	260,415
Total liabilities and shareholders' equity	\$ 4,305,391	\$ 2,723,243

See accompanying notes to interim consolidated financial statements.

ChoiceOne Financial Services, Inc.  
**CONSOLIDATED STATEMENTS OF OPERATIONS** (Unaudited)

(Dollars in thousands, except share data)

	Three Months Ended March 31,	
	2025	2024
Interest income		
Loans, including fees	\$ 32,641	\$ 20,786
Securities:		
Taxable	4,730	5,348
Tax exempt	1,409	1,412
Other	1,179	886
Total interest income	39,959	28,432
Interest expense		
Deposits	10,716	8,777
Advances from Federal Home Loan Bank	2,052	441
Other	880	2,740
Total interest expense	13,648	11,958
Net interest income	26,311	16,474
Provision for (reversal of) credit losses on loans	13,163	403
Provision for (reversal of) credit losses on unfunded commitments	-	(403)
Net Provision for (reversal of) credit losses expense	13,163	-
Net interest income after provision	13,148	16,474
Noninterest income		
Customer service charges	1,181	1,143
Credit and debit card fees	1,509	1,262
Insurance and investment commissions	295	198
Gains on sales of loans	444	454
Net gains on sales and write downs of other assets	10	1
Earnings on life insurance policies	389	495
Trust income	506	213
Change in market value of equity securities	107	35
Other	481	250
Total noninterest income	4,922	4,051
Noninterest expense		
Salaries and benefits	10,320	7,831
Occupancy and equipment	1,719	1,462
Data processing	1,999	1,340
Communications	380	330
Professional fees	697	615
Supplies and postage	244	178
Advertising and promotional	256	150
Intangible amortization	680	203
FDIC insurance	455	375
Merger related expenses	17,203	-
Other	1,712	1,200
Total noninterest expense	35,665	13,684
(Loss) income before income tax (benefit) expense	(17,595)	6,841
Income tax (benefit) expense	(3,689)	1,207
Net (loss) income	\$ (13,906)	\$ 5,634
Basic (loss) earnings per share (Note 4)	\$ (1.30)	\$ 0.75
Diluted (loss) earnings per share (Note 4)	\$ (1.29)	\$ 0.74
Dividends declared per share	\$ 0.28	\$ 0.27

See accompanying notes to interim consolidated financial statements.

ChoiceOne Financial Services, Inc.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)** (Unaudited)

(Dollars in thousands)	Three Months Ended March 31,	
	2025	2024
Net income	\$ (13,906)	\$ 5,634
Other comprehensive income:		
Change in net unrealized gain (loss) on available-for-sale securities	99	(3,170)
Income tax benefit (expense)	(21)	666
Less: reclassification adjustment for net (gain) loss included in net income	-	-
Income tax benefit (expense)	-	-
Less: reclassification adjustment for net (gain) loss for fair value hedge	(4,578)	5,323
Income tax benefit (expense)	961	(1,118)
Less: net unrealized (gains) losses on securities transferred from available-for-sale to held-to-maturity	-	-
Income tax benefit (expense)	-	-
Unrealized gain (loss) on available-for-sale securities, net of tax	(3,539)	1,701
Reclassification of unrealized gain (loss) upon transfer of securities from available-for-sale to held-to-maturity	-	-
Income tax benefit (expense)	-	-
Amortization of net unrealized (gains) losses on securities transferred from available-for-sale to held-to-maturity	70	56
Income tax benefit (expense)	(15)	(12)
Unrealized loss on held to maturity securities, net of tax	55	44
Change in net unrealized gain (loss) on cash flow hedge	(3,948)	6,086
Income tax benefit (expense)	830	(1,278)
Less: reclassification adjustment for net (gain) loss on cash flow hedge	-	-
Income tax benefit (expense)	-	-
Less: amortization of net unrealized (gains) losses included in net income	73	887
Income tax benefit (expense)	(15)	(186)
Unrealized gain (loss) on cash flow hedge instruments, net of tax	(3,060)	5,509
Other comprehensive income (loss), net of tax	(6,544)	7,254
Comprehensive income (loss)	\$ (20,450)	\$ 12,888

See accompanying notes to interim consolidated financial statements.

ChoiceOne Financial Services, Inc.  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY** (Unaudited)  
For the three months ended March 31,

(Dollars in thousands, except per share data)	Number of Shares	Common Stock and Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss), Net	Total
Balance, January 1, 2024	7,548,217	\$ 173,513	\$ 73,699	\$ (51,578)	\$ 195,634
Net income			5,634		5,634
Other comprehensive income (loss)				7,254	7,254
Shares issued for directors and employee stock plans	7,040	90			90
Effect of employee stock purchases		11			11
Stock options exercised and issued	880				
Stock-based compensation expense		172			172
Cash dividends declared (\$0.27 per share)			(2,039)		(2,039)
Balance, March 31, 2024	7,556,137	\$ 173,786	\$ 77,294	\$ (44,324)	\$ 206,756
Balance, January 1, 2025	8,965,483	\$ 206,780	\$ 91,414	\$ (37,779)	\$ 260,415
Net (loss) income			(13,906)		(13,906)
Other comprehensive income (loss)				(6,544)	(6,544)
Shares issued for directors and employee stock plans	5,515	172			172
Effect of employee stock purchases		13			13
Stock-based compensation expense		177			177
Merger with Fentura Financial, Inc., net of issuance costs	6,064,057	192,770			192,770
Dissolution of Fentura Financial, Inc. ESOP	(57,807)	(1,837)			(1,837)
Cash dividends declared (\$0.28 per share)			(4,192)		(4,192)
Balance, March 31, 2025	14,977,248	\$ 398,075	\$ 73,316	\$ (44,323)	\$ 427,068



ChoiceOne Financial Services, Inc.  
**CONSOLIDATED STATEMENTS OF CASH FLOWS** (Unaudited)

(Dollars in thousands)	Three Months Ended March 31,	
	2025	2024
Cash flows from operating activities:		
Net (loss) income	\$ (13,906)	\$ 5,634
Adjustments to reconcile net income to net cash from operating activities:		
(Reversal of) provision for credit losses	13,163	-
Depreciation	645	636
Amortization	2,989	2,427
Compensation expense on employee stock purchase plan, stock options, and restricted stock units	190	295
Net change in market value of equity securities	(107)	(35)
Gains on sales of loans	(444)	(454)
Loans originated for sale	(12,127)	(18,507)
Proceeds from loan sales	15,725	17,427
Earnings on bank-owned life insurance	(389)	(299)
Earnings on death benefit from bank-owned life insurance	-	(196)
Deferred federal income tax (benefit)/expense	(3,689)	301
Net change in:		
Other assets	115	(1,410)
Other liabilities	(8,637)	9,495
Net cash (used in) provided by operating activities	(6,472)	15,314
Cash flows from investing activities:		
Sales of securities available for sale	78,856	-
Maturities, prepayments and calls of securities available for sale	4,477	5,879
Maturities, prepayments and calls of securities held to maturity	4,060	9,531
Purchases of securities available for sale	(371)	(466)
Purchases of equity securities	(75)	(20)
Purchases of securities held to maturity	(904)	-
Purchase of Federal Home Loan Bank stock	(7,050)	-
Loan originations and payments, net	2,101	(7,986)
Proceeds from bank owned life insurance death benefits claim		490
Additions to premises and equipment	(835)	(311)
Proceeds from derivative contracts, net	-	497
Proceeds from derivative contracts settlements	3,636	-
Cash received from merger with Fentura Financial, Inc.	173,082	-
Net cash provided by (used in) investing activities	256,977	7,614
Cash flows from financing activities:		
Net change in deposits	5,745	63,793
Net change in short term borrowings	(207,501)	10,036
Issuance of common stock	172	56
Repurchase of common stock	(2,059)	-
Share based compensation withholding obligation	-	(78)
Cash dividends	(4,192)	(2,039)
Net cash provided by financing activities	(207,835)	71,768
Net change in cash and cash equivalents	42,670	94,696
Beginning cash and cash equivalents	96,751	55,433
Ending cash and cash equivalents	\$ 139,421	\$ 150,129
<u>Supplemental disclosures of cash flow information:</u>		
Cash paid for interest	\$ 11,573	\$ 15,278
Cash paid for income taxes	-	-
<u>Noncash transactions:</u>		
Loans transferred to other real estate	157	-
Acquisition of assets from merger, net of cash	1,578,547	-
Acquisition of liabilities from merger	1,625,421	-
Issuance of common stock as consideration for merger	192,992	-



See accompanying notes to interim consolidated financial statements.

ChoiceOne Financial Services, Inc.  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Principles of Consolidation

The consolidated financial statements include ChoiceOne Financial Services, Inc. (“ChoiceOne”), its wholly-owned subsidiaries, ChoiceOne Bank (the “Bank”) and 109 Technologies, LLC, and ChoiceOne Bank’s wholly-owned subsidiary, ChoiceOne Insurance Agencies, Inc. (the “Insurance Agency”). Intercompany transactions and balances have been eliminated in consolidation.

ChoiceOne owns all of the common securities of Community Shores Capital Trust I, Fentura Capital Trust I, and Fentura Capital Trust II (collectively, the “Capital Trusts”). Under U.S. generally accepted accounting principles (“GAAP”), the Capital Trusts are not consolidated because each is a variable interest entity and ChoiceOne is not the primary beneficiary.

The accompanying unaudited consolidated financial statements and notes thereto reflect all adjustments ordinary in nature which are, in the opinion of management, necessary for a fair presentation of such financial statements. Operating results for the three months ended March 31, 2025, are not necessarily indicative of the results that may be expected for the year ending December 31, 2025.

The accompanying consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes thereto included in ChoiceOne’s Annual Report on Form 10-K for the year ended December 31, 2024.

Recent Events

On March 1, 2025, ChoiceOne completed the merger (the “Merger”) of Fentura Financial, Inc. (“Fentura”), the former parent company of The State Bank, with and into ChoiceOne with ChoiceOne surviving the merger. On March 14, 2025, ChoiceOne Bank completed the consolidation of The State Bank with and into ChoiceOne Bank with ChoiceOne Bank surviving the consolidation. Accordingly, the reported consolidated financial results for the first quarter ended March 31, 2025 include financial results for ChoiceOne and ChoiceOne Bank and, from and after March 1, 2025, Fentura and The State Bank.

On July 26, 2024, ChoiceOne completed an underwritten public offering of 1,380,000 shares of its common stock at a price to the public of \$25.00 per share (the “Common Stock Offering”). The aggregate gross proceeds of the Common Stock Offering were approximately \$34.5 million before deducting underwriting discounts and estimated offering expenses. The proceeds from the Common Stock Offering qualify as tangible common equity and Tier 1 common equity.

Identification and Classification of Merger-Related Expenses

Merger-related expenses are costs incurred directly in connection with the company's merger and acquisition activities and are expensed in the period in which the costs are incurred and services are received. The costs to issue equity securities associated with the merger are netted against the value of the securities issued. These expenses include legal fees for negotiation and drafting of merger agreements, accounting and auditing fees related to due diligence and financial statement preparation, consulting fees for strategic advisory services specific to the merger, costs related to regulatory filings and compliance, expenses for integration planning and execution (including IT, systems integration, and contract terminations), severance and retention bonuses for employees affected by the merger, and travel and accommodation expenses directly related to merger activities.

To ensure accurate classification and segregation of these expenses, detailed documentation supporting the nature and purpose of each expense is maintained, including invoices, contracts, and internal memos. All merger-related expenses must be reviewed and approved by the CFO or an authorized delegate to ensure they meet the criteria for classification as merger-related. The Accounting Department conducts periodic reviews of these expenses to ensure proper classification and segregation, promptly addressing and correcting any discrepancies. Merger-related expenses are disclosed separately in the financial statements and accompanying notes to provide transparency to investors and stakeholders.

Use of Estimates

To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, ChoiceOne’s management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided. These estimates and assumptions are subject to many risks and uncertainties, and actual results may differ from these estimates. Estimates associated with the allowance for credit losses, the unrealized gains and losses on securities available for sale and held to maturity, and the fair value measurement of acquired assets and liabilities associated with the Merger are particularly susceptible to change.

### Goodwill

Goodwill results from business acquisitions and represents the excess of the purchase price over the fair value of the acquired tangible assets and liabilities and identifiable intangible assets. Goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but tested for impairment at least annually or more frequently if events and circumstances exist that indicate that a goodwill impairment test should be performed.

### Core Deposit Intangible

Core deposit intangible represents the value of the acquired customer core deposit bases and is included as an asset on the consolidated balance sheets. The core deposit intangible has an estimated finite life, is amortized on an accelerated basis over its useful life and is subject to periodic impairment evaluation.

### Stock Transactions

A total of 3,301 shares of common stock were issued to ChoiceOne's Board of Directors for a cash price of \$118,000 under the terms of the Directors' Stock Purchase Plan in the first quarter of 2025. A total of 2,214 shares for a cash price of \$54,000 were issued under the Employee Stock Purchase Plan in the first quarter of 2025. ChoiceOne's common stock repurchase program announced in April 2021 and amended in 2022, authorizes repurchases of up to 375,388 shares, representing 5% of the total outstanding shares of common stock as of the date the program was adopted. No shares were repurchased under this program in the first quarter of 2025.

On March 1, 2025, ChoiceOne issued 6,070,836 shares of common stock at a net cost of \$193.0 million as consideration in the Merger.

### Reclassifications

Certain amounts presented in prior periods have been reclassified to conform to the current presentation.

### Allowance for Credit Losses ("ACL")

The ACL is a valuation allowance for expected credit losses. The ACL is increased by the provision for credit losses and decreased by loans charged off less any recoveries of charged off loans. As ChoiceOne has had very limited loss experience since 2011, management elected to utilize benchmark peer loss history data to estimate historical loss rates. ChoiceOne identified an appropriate peer group for each loan cohort which shared similar characteristics. Management estimates the ACL required based on the selected peer group loan loss experience, the nature and volume of the loan portfolio, information about specific borrower situations and estimated collateral values, a reasonable and supportable economic forecast, and other 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 that collection of a loan balance is not possible.

The ACL consists of general and specific components. The general component covers loans collectively evaluated for credit losses and is based on peer historical loss experience adjusted for current and forecasted factors. Management's adjustment for current and forecasted factors is based on trends in delinquencies, trends in charge-offs and recoveries, trends in the volume of loans, changes in underwriting standards, trends in loan review findings, the experience and ability of lending staff, and a reasonable and supportable economic forecast described further below.

The discounted cash flow methodology is utilized for all loan pools included in the general component. This methodology is supported by our CECL software provider and allows management to automatically calculate contractual life by factoring in all cash flows and adjusting them for behavioral and credit-related aspects.

Reasonable and supportable economic forecasts have to be incorporated in determining expected credit losses. The forecast period represents the time frame from the current period end through the point in time that we can reasonably forecast and support entity and environmental factors that are expected to impact the performance of our loan portfolio. Ideally, the economic forecast period would encompass the contractual terms of all loans; however, the ability to produce a forecast that is considered reasonable and supportable becomes more difficult or may not be possible in later periods. Subsequent to the end of the forecast period, we revert to historical loan data based on an ongoing evaluation of each economic forecast in relation to then current economic conditions as well as any developing loan loss activity and resulting historical data. As of March 31, 2025, we used a one-year reasonable and supportable economic forecast period, with a two year straight-line reversion period.

We are not required to develop and use our own economic forecast model, and we elected to utilize economic forecasts from third-party providers that analyze and develop forecasts of the economy for the entire United States at least quarterly.

Other inputs to the calculation are also updated or reviewed quarterly. Prepayment speeds are updated on a one quarter lag based on the asset liability model from the previous quarter. This model is performed at the loan level. Curtailment is updated quarterly within the ACL model based on our peer group average. The reversion period is reviewed by management quarterly with consideration of the current economic climate. Prepayment speeds and curtailment were updated during the first quarter of 2025; however, the effect was insignificant.

We are also required to consider expected credit losses associated with loan commitments over the contractual period in which we are exposed to credit risk on the underlying commitments unless the obligation is unconditionally cancellable by us. Any allowance for off-balance sheet credit exposures is reported as an other liability on our Consolidated Balance Sheet and is increased or decreased via the provision for credit losses account on our Consolidated Statement of Income. 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 aggregate reserve rates calculated for the funded portion of loans at the portfolio level applied to the amount of commitments expected to be funded.

Loans that do not share risk characteristics are evaluated on an individual basis and are excluded from the collective evaluation. ChoiceOne has determined that any loans which have been placed on non-performing status, loans with a risk rating of 6 or higher, and loans past due more than 60 days will be assessed individually for evaluation. Management's judgment will be used to determine if the loan should be migrated back to pool on an individual basis. Individual analysis will establish a specific reserve for loans in scope. Specific reserves on non-performing loans are typically based on management's best estimate of the fair value of collateral securing these loans, adjusted for selling costs as appropriate or based on the present value of the expected cash flows from that loan.

#### ACL for Purchased Loans: With and Without Credit Deterioration

Acquired loans are initially recorded at fair value. ChoiceOne's accounting methods for acquired loans depend on whether or not the loan reflects more than insignificant credit deterioration since origination at the date of acquisition. ChoiceOne estimated the valuation mark on acquired loans to be a reduction of \$64.7 million related to the Merger. This valuation mark contained two separate populations: a valuation mark on loans purchased with credit deterioration ("PCD loans") of \$13.1 million and a valuation mark on loans purchased without credit deterioration ("Non-PCD loans") of \$51.6 million. ChoiceOne estimates \$59.8 million of the total valuation mark will be accretable to interest income.

##### Purchased Loans with Credit Deterioration

Purchased loans that reflect a more than insignificant credit deterioration since origination at the date of acquisition are classified as purchased credit deteriorated (PCD) loans. PCD loans are recorded at fair value plus the ACL expected at the time of acquisition. Under this method, there is no provision for credit losses on acquisition of PCD loans. The allowance for credit losses of \$4.9 million was recorded as the credit mark on PCD loans. PCD loans are assessed on a regular basis and subsequent adjustments to the ACL are recorded on the income statement. The non-credit-related difference between fair value and the unpaid principal balance at the acquisition date is amortized or accreted to interest income over the contractual life of the loan using the effective interest method.

##### Purchased Loans Without Credit Deterioration

Loans not considered purchased credit deteriorated (Non-PCD) loans do not reflect more than insignificant credit deterioration since origination at the date of acquisition. These loans are recorded at fair value and an increase to the allowance for credit losses (ACL) is recorded with a corresponding increase to the provision for credit losses at the date of acquisition. The difference between fair value and the unpaid principal balance at the acquisition date is amortized or accreted to interest income over the contractual life of the loan using the effective interest method. The provision for credit losses of \$12.0 million was expensed on March 1, 2025 due to the acquisition of \$1.3 billion of Non-PCD loans in the Merger.

#### ACL for Securities

Securities Available for Sale ("AFS") – For securities AFS in an unrealized loss position, management determines whether they intend to sell or if it is more likely than not that ChoiceOne will be required to sell the security before recovery of the amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For securities AFS with unrealized losses not meeting these criteria, management evaluates whether any decline in fair value is due to credit loss 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 allowance for credit losses ("ACL") 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 under ASC 326-30 are recorded as provisions for (or reversal of) credit loss expense. Losses are charged against the allowance when the collectability 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 income, net of income taxes. At March 31, 2025, there was no ACL related to debt securities AFS.

**Securities Held to Maturity ("HTM")** – Since the adoption of CECL, ChoiceOne measures credit losses on HTM securities on a collective basis by major security type with each type sharing similar risk characteristics, and considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. The ACL on securities HTM is a contra asset valuation account that is deducted from the carrying amount of HTM securities to present the net amount expected to be collected. HTM securities are charged off against the ACL when deemed uncollectible. Adjustments to the ACL are reported in ChoiceOne's Consolidated Statements of Income in the provision for credit losses. Accrued interest receivable totaled \$2.3 million and \$2.0 million at March 31, 2025 and December 31, 2024, respectively, and was reported in other assets on the consolidated balance sheets and is excluded from the estimate of credit losses. With regard to US Treasury securities, these have an explicit government guarantee; therefore, no ACL is recorded for these securities. With regard to obligations of states and political subdivisions and other HTM securities, management considers (1) issuer bond ratings, (2) historical loss rates for given bond ratings, (3) the financial condition of the issuer, and (4) whether issuers continue to make timely principal and interest payments under the contractual terms of the securities. At March 31, 2025 and December 31, 2024, the ACL related to HTM securities is insignificant.

## **Recent Accounting Pronouncements**

### Adoption of ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which requires enhanced disclosures about the Company's operating segments. This adoption was aimed at providing more transparent and comprehensive information regarding the Company's financial performance and position. The Company operates in one reportable segment. The Company adopted this guidance as of December 31, 2024, on a retrospective basis. The adoption did not have a material impact on the Company's financial statements but resulted in additional entity-wide disclosures about products and services, geographic areas, and major customers. These disclosures are intended to provide users of the financial statements with a better understanding of the Company's operations and the economic environments in which it operates.

While ChoiceOne's management monitors the revenue streams of various products and services for the Bank and the Insurance Agency, operations and financial performance are evaluated on a company-wide basis. Accordingly, all of the financial service operations are considered by management to be aggregated into one reportable operating segment.

### ASU 2023-09 Improvements to Income Tax Disclosures

In 2023, the FASB issued ASU 2023-09, Income Taxes: Improvements to Income Tax Disclosures. The amendments in this update enhance transparency and decision usefulness of income tax disclosures. This ASU requires consistent categorization, greater disaggregation, and detailed disclosures related to income taxes paid. These changes aim to help users of financial statements understand factors contributing to differences between effective and statutory tax rates. The disclosure is effective for annual reporting periods beginning after December 15, 2024. The Company is evaluating the impact this will have on the Company's income tax disclosures.



## NOTE 2 – SECURITIES

On January 1, 2022, ChoiceOne reassessed and transferred, at fair value, \$428.4 million of securities classified as available for sale to the held to maturity classification. The net unrealized after-tax loss of \$2.7 million as of the transfer date remained in accumulated other comprehensive income to be amortized over the remaining life of the securities, offsetting the related amortization of discount or premium on the transferred securities. No gains or losses were recognized at the time of the transfer. The remaining net unamortized unrealized loss on transferred securities included in accumulated other comprehensive income was \$1.9 million after tax as of March 31, 2025.

ChoiceOne acquired \$90.7 million in securities as part of the Merger; however, management chose to sell \$78.9 million to pay down higher cost wholesale funding. The sale of the securities was completed so close to the fair value determination date that no loss was recognized. Consequently, the net increase in securities from the Merger was \$11.8 million.

The fair value of equity securities and the related gross unrealized gains and (losses) recognized in noninterest income were as follows:

		March 31, 2025			
(Dollars in thousands)		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Equity securities		\$ 9,549	\$ 375	\$ (596)	\$ 9,328

  

		December 31, 2024			
(Dollars in thousands)		Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Equity securities		\$ 8,043	\$ 397	\$ (658)	\$ 7,782

The following tables present the amortized cost and fair value of securities available for sale and the gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) and the amortized cost and fair value of securities held to maturity and the related gross unrealized gains and losses:

	March 31, 2025			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for Sale:				
U.S. Government and federal agency	\$ 993	\$ -	\$ -	\$ 993
U.S. Treasury notes and bonds	94,451	6	(7,704)	86,753
State and municipal	263,464	-	(39,224)	224,240
Mortgage-backed	177,779	63	(18,502)	159,340
Corporate	250	-	(38)	212
Asset-backed securities	9,267	-	(155)	9,112
Total	\$ 546,204	\$ 69	\$ (65,623)	\$ 480,650

(Dollars in thousands)				
Held to Maturity:				
U.S. Government and federal agency	\$ 2,979	\$ -	\$ (224)	\$ 2,755
State and municipal	199,997	4	(29,025)	170,976
Mortgage-backed	170,795	4	(19,244)	151,555
Corporate	20,503	26	(1,750)	18,779
Asset-backed securities	160	-	(2)	158
Total	\$ 394,434	\$ 34	\$ (50,245)	\$ 344,223

		December 31, 2024			
		Amortized	Gross	Gross	Fair
		Cost	Unrealized	Unrealized	Value
			Gains	Losses	
(Dollars in thousands)					
Available for Sale:					
U.S. Treasury notes and bonds	\$	89,875	\$ -	\$ (9,373)	\$ 80,502
State and municipal		258,815	-	(30,579)	228,236
Mortgage-backed		181,863	62	(20,955)	160,970
Corporate		250	-	(38)	212
Asset-backed securities		9,387	-	(190)	9,197
Total	\$	540,190	\$ 62	\$ (61,135)	\$ 479,117

(Dollars in thousands)					
Held to Maturity:					
U.S. Government and federal agency	\$	2,978	\$ -	\$ (279)	\$ 2,699
State and municipal		196,510	5	(31,477)	165,038
Mortgage-backed		174,323	7	(21,963)	152,367
Corporate		20,495	29	(1,803)	18,721
Asset-backed securities		228	-	(5)	223
Total	\$	394,534	\$ 41	\$ (55,527)	\$ 339,048

Available for sale securities with unrealized losses as of March 31, 2025 and December 31, 2024, aggregated by investment category and length of time the individual securities have been in an unrealized loss position, were as follows:

		March 31, 2025					
		Less than 12 months		More than 12 months		Total	
		Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(Dollars in thousands)							
Available for Sale:							
U.S. Treasury notes and bonds	\$	-	\$ -	\$ 82,054	\$ 7,704	\$ 82,054	\$ 7,704
						224,09	
State and municipal		849	-	223,246	39,224	5	39,224
						147,55	
Mortgage-backed		6,694	41	140,863	18,461	7	18,502
Corporate		-	-	212	38	212	38
Asset-backed securities		-	-	9,112	155	9,112	155
						463,03	
Total temporarily impaired	\$	7,543	\$ 41	\$ 455,487	\$ 65,582	\$ 0	\$ 65,623

		December 31, 2024					
		Less than 12 months		More than 12 months		Total	
		Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(Dollars in thousands)							
Available for Sale:							
U.S. Treasury notes and bonds	\$	-	\$ -	\$ 80,502	\$ 9,373	\$ 80,502	\$ 9,373
						228,23	
State and municipal		-	-	228,236	30,579	6	30,579
						143,13	
Mortgage-backed		963	1	142,170	20,954	3	20,955
Corporate		-	-	212	38	212	38
Asset-backed securities		-	-	9,197	190	9,197	190
						461,28	
Total temporarily impaired	\$	963	\$ 1	\$ 460,317	\$ 61,134	\$ 0	\$ 61,135

Held to maturity securities with unrealized losses as of March 31, 2025 and December 31, 2024, aggregated by investment category and length of time the individual securities have been in an unrealized loss position, were as follows:

(Dollars in thousands) Held to Maturity:	March 31, 2025					
	Less than 12 months		More than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government and federal agency	\$ -	\$ -	\$ 2,756	\$ 224	\$ 2,756	\$ 224
State and municipal	6,100	126	164,156	28,899	170,256	29,025
Mortgage-backed	4,347	23	140,699	19,221	145,046	19,244
Corporate	-	-	16,650	1,750	16,650	1,750
Asset-backed securities	-	-	157	2	157	2
					334,86	
Total temporarily impaired	\$ 10,447	\$ 149	\$ 324,418	\$ 50,096	\$ 5	\$ 50,245

  

(Dollars in thousands) Held to Maturity:	December 31, 2024					
	Less than 12 months		More than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Government and federal agency	\$ -	\$ -	\$ 2,699	\$ 279	\$ 2,699	\$ 279
State and municipal	5,262	630	159,558	30,847	164,820	31,477
Mortgage-backed	2,350	11	141,970	21,952	144,320	21,963
Corporate	-	-	16,591	1,803	16,591	1,803
Asset-backed securities	-	-	223	5	223	5
					328,65	
Total temporarily impaired	\$ 7,612	\$ 641	\$ 321,041	\$ 54,886	\$ 3	\$ 55,527

ChoiceOne evaluates all securities on a quarterly basis to determine if an ACL and corresponding impairment charge should be recorded. Consideration is given to the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability of ChoiceOne to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value of amortized cost basis. ChoiceOne believes that unrealized losses on securities were temporary in nature and were caused primarily by changes in interest rates, increased credit spreads, and reduced market liquidity and were not caused by the credit status of the issuer. No ACL was recorded in the three months ended March 31, 2025 and March 31, 2024 on AFS securities.

The majority of unrealized losses at March 31, 2025, are related to U.S. Treasury notes and bonds, state and municipal bonds and mortgage backed securities. The U.S. Treasury notes are guaranteed by the U.S. government and 100% of the notes are rated AA or better. State and municipal bonds are backed by the taxing authority of the bond issuer or the revenues from the bond. On March 31, 2025, 85% of state and municipal bonds held are rated AA or better, 10% are A rated and 5% are not rated. Of the mortgage-backed securities held on March 31, 2025, 43% were issued by US government sponsored entities and agencies, and rated AA, 44% are AAA rated private issue and collateralized mortgage obligation, and 13% are unrated privately issued mortgage-backed securities with structured credit enhancement and collateralized mortgage obligation.

Unrealized losses have not been recognized into income because the issuers' bonds are of high credit quality, and management does not intend to sell prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The issuers continue to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bonds approach maturity.

Presented below is a schedule of maturities of securities as of March 31, 2025. Available for sale securities are reported at fair value and held to maturity securities are reported at amortized cost. Callable securities in the money are presumed called and matured at the callable date.

(Dollars in thousands)	Available for Sale Securities maturing within:				Fair Value at March 31, 2025
	Less than 1 Year	1 Year - 5 Years	5 Years - 10 Years	More than 10 Years	
U.S. Government and federal agency	\$ 993	\$ -	\$ -	\$ -	\$ 993
U.S. Treasury notes and bonds	\$ -	\$ 86,753	\$ -	\$ -	\$ 86,753
State and municipal	2,250	13,660	33,334	174,996	224,240
Corporate	-	-	212	-	212
Asset-backed securities	-	6,646	2,466	-	9,112
Total debt securities	3,243	107,059	36,012	174,996	321,310
Mortgage-backed securities	3,179	79,133	58,288	18,740	159,340
Total Available for Sale	\$ 6,422	\$ 186,192	\$ 94,300	\$ 193,736	\$ 480,650

(Dollars in thousands)	Held to Maturity Securities maturing within:				Amortized Cost at March 31, 2025
	Less than 1 Year	1 Year - 5 Years	5 Years - 10 Years	More than 10 Years	
U.S. Government and federal agency	\$ -	\$ 2,979	\$ -	\$ -	\$ 2,979
State and municipal	3,570	21,577	94,989	79,861	199,997
Corporate	-	-	20,503	-	20,503
Asset-backed securities	160	-	-	-	160
Total debt securities	3,730	24,556	115,492	79,861	223,639
Mortgage-backed securities	5,512	85,893	79,390	-	170,795
Total Held to Maturity	\$ 9,242	\$ 110,449	\$ 194,882	\$ 79,861	\$ 394,434

Following is information regarding unrealized gains and losses on equity securities for the three months ended March 31, 2025 and 2024:

(Dollars in thousands)	Three Months Ended March 31,	
	2025	2024
Net gains and (losses) recognized during the period	\$ 107	\$ 35
Less: Net gains and (losses) recognized during the period on securities sold	—	—
Unrealized gains and (losses) recognized during the reporting period on securities still held at the reporting date	\$ 107	\$ 35

NOTE 3 – LOANS AND ALLOWANCE FOR CREDIT LOSSES

Loans by type as a percentage of the portfolio were as follows:

(Dollars in thousands)	March 31, 2025		December 31, 2024		Percent Increase (Decrease)
	Balance	%	Balance	%	
Agricultural	\$ 48,165	1.6%	\$ 48,221	3.1%	(0.1) %
Commercial and Industrial	345,138	11.8%	228,256	14.8%	51.2 %
Commercial Real Estate	1,757,598	60.1%	901,130	58.3%	95.0 %
Consumer	30,932	1.1%	29,412	1.9%	5.2 %
Construction Real Estate	18,067	0.6%	17,042	1.1%	6.0 %
Residential Real Estate	722,662	24.7%	281,701	18.2%	156.5 %
Loans to Other Financial Institutions	2,393	0.1%	39,878	2.6%	(94.0) %
Gross Loans	<u>\$ 2,924,955</u>		<u>\$ 1,545,640</u>		
Allowance for credit losses	34,567	1.18%	16,552	1.07%	
Net loans	<u>\$ 2,890,388</u>		<u>\$ 1,529,088</u>		

Activity in the allowance for credit losses and balances in the loan portfolio were as follows:

(Dollars in thousands)	Commercial and Industrial			Commercial Real Estate	Construction Real Estate	Residential Real Estate	Loans to Other Financial Institutions	Total
<u>Allowance for Credit Losses Three Months Ended March 31, 2025</u>								
Beginning balance	\$ 90	\$ 2,260	\$ 733	\$ 9,460	\$ 59	\$ 3,890	\$ 60	\$ 16,552
Acquisition related allowance for credit loss (PCD)	2	2,963	-	1,791	-	168	-	4,924
Charge-offs	-	-	(133)	-	-	(22)	-	(155)
Recoveries	-	2	60	-	-	21	-	83
Provision	128	278	43	9,476	31	3,263	(56)	13,163
Ending balance	\$ 220	\$ 5,503	\$ 703	\$ 20,727	\$ 90	\$ 7,320	\$ 4	\$ 34,567

#### Loans

##### March 31, 2025

Ending loan balance	\$ 48,165	\$ 345,138	\$ 30,932	\$ 1,757,598	\$ 18,067	\$ 722,662	\$ 2,393	\$ 2,924,955
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The outstanding balance and related allowance on PCD loans as of March 1, 2025 (the acquisition date) and March 31, 2025 is as follows (in thousands):

(dollars in thousands)	As of March 1, 2025		As of March 31, 2025	
	Loan Balance	ACL Balance	Loan Balance	ACL Balance
Agricultural	\$ 611	\$ 2	\$ 465	\$ 2
Commercial and Industrial	13,572	2,960	13,237	2,963
Commercial Real Estate	79,444	1,791	78,775	1,791
Consumer	32	0	30	0
Residential Real Estate	19,252	171	18,837	168
Total	\$ 112,911	\$ 4,924	\$ 111,344	\$ 4,924

There were no PCD loans in the prior year.

(Dollars in thousands)	Commercial and Industrial			Commercial Real Estate	Construction Real Estate	Residential Real Estate	Loans to Other Financial Institutions	Total
<u>Allowance for Credit Losses December 31, 2024</u>								
Ending balance	\$ 90	\$ 2,260	\$ 733	\$ 9,460	\$ 59	\$ 3,890	\$ 60	\$ 16,552
<u>Loans December 31, 2024</u>								
Ending loan balance	\$ 48,221	\$ 228,256	\$ 29,412	\$ 901,130	\$ 17,042	\$ 281,701	\$ 39,878	\$ 1,545,640

(Dollars in thousands)	Commercial and		Commercial	Construction	Residential	Loans to Other Financial	Unallocated	Total	
	Agricultural	Industrial	Consumer	Real Estate	Real Estate	Real Estate			Institution
<u>Allowance for Credit Losses</u>									
<u>Three Months Ended March 31, 2024</u>									
Beginning balance	\$ 94	\$ 2,216	\$ 823	\$ 8,820	\$ 58	\$ 3,644	\$ 30	\$ -	\$ 15,685
Charge-offs	-	(1)	(123)	-	-	-	-	-	(124)
Recoveries	-	9	60	-	-	4	-	-	73
Provision	3	19	158	347	(9)	(135)	20	-	403
Ending balance	\$ 97	\$ 2,243	\$ 918	\$ 9,167	\$ 49	\$ 3,513	\$ 50	\$ -	\$ 16,037

The provision for credit losses on loans was \$13.1 million in the first quarter of 2025, due primarily to \$12.0 million of expense for the acquisition of \$1.3 billion of non-PCD loans in the Merger. Additional expense was recorded to account for organic growth, changes in qualitative factors, and forecast data used in the allowance for credit losses calculation. The allowance for credit losses also increased by \$4.9 million as the credit mark on PCD loans migrated into the reserve in accordance with CECL guidelines.

The process to monitor the credit quality of ChoiceOne's loan portfolio includes tracking (1) the risk ratings of business loans and (2) delinquent and nonperforming consumer loans. Business loans are risk rated on a scale of 1 to 9. A description of the characteristics of the ratings follows:

**Risk Rating 1 through 5 or pass:** These loans are considered pass credits. They exhibit acceptable credit risk and demonstrate the ability to repay the loan from normal business operations.

**Risk rating 6 or special mention:** Loans and other credit extensions bearing this grade are considered to be inadequately protected by the current sound worth and debt service capacity of the borrower or of any pledged collateral. These obligations, even if apparently protected by collateral value, have well-defined weaknesses related to adverse financial, managerial, economic, market, or political conditions that have clearly jeopardized repayment of principal and interest as originally intended. Furthermore, there is the possibility that ChoiceOne Bank will sustain some future loss if such weaknesses are not corrected. Clear loss potential, however, does not have to exist in any individual assets classified as substandard. Loans falling into this category should have clear action plans and timelines with benchmarks to determine which direction the relationship will move.

**Risk rating 7 or substandard:** Loans and other credit extensions graded "7" have all the weaknesses inherent in those graded "6", with the added characteristic that the severity of the weaknesses makes collection or liquidation in full highly questionable or improbable based upon currently existing facts, conditions, and values. Loans in this classification should be evaluated for non-accrual status. All nonaccrual commercial and Retail loans must be at a minimum graded a risk code "7".

**Risk rating 8 or doubtful:** Loans and other credit extensions bearing this grade have been determined to have the extreme probability of some loss, but because of certain important and reasonably specific factors, the amount of loss cannot be determined. Such pending factors could include merger or liquidation, additional capital injection, refinancing plans, or perfection of liens on additional collateral.

**Risk rating 9 or loss:** Loans in this classification are considered uncollectible and cannot be justified as a viable asset of ChoiceOne Bank. This classification does not mean the loan has absolutely no recovery value, but that it is neither practical nor desirable to defer writing off this loan even though partial recovery may be obtained in the future.



The following table reflects the amortized cost basis of loans as of March 31, 2025 based on year of origination (dollars in thousands):

Commercial:	2025	2024	2023	2022	2021	Prior	Term Loans Total	Revolving Loans	Grand Total
<b>Agricultural</b>									
Pass	\$ 1,986	\$ 4,425	\$ 1,948	\$ 4,222	\$ 5,134	\$ 20,779	\$ 38,494	\$ 9,324	\$ 47,818
Special mention	-	-	-	-	-	166	166	-	166
Substandard	-	-	-	-	-	181	181	-	181
Doubtful	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 1,986</b>	<b>\$ 4,425</b>	<b>\$ 1,948</b>	<b>\$ 4,222</b>	<b>\$ 5,134</b>	<b>\$ 21,126</b>	<b>\$ 38,841</b>	<b>\$ 9,324</b>	<b>\$ 48,165</b>
Current year-to-date gross write-offs (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Commercial and Industrial</b>									
Pass	\$ 9,098	\$ 50,277	\$ 27,763	\$ 44,664	\$ 16,233	\$ 28,733	\$ 176,768	\$ 159,341	\$ 336,109
Special mention	-	-	-	194	181	143	518	-	518
Substandard	-	120	4,912	54	1,580	1,845	8,511	-	8,511
Doubtful	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 9,098</b>	<b>\$ 50,397</b>	<b>\$ 32,675</b>	<b>\$ 44,912</b>	<b>\$ 17,994</b>	<b>\$ 30,721</b>	<b>\$ 185,797</b>	<b>\$ 159,341</b>	<b>\$ 345,138</b>
Current year-to-date gross write-offs (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Commercial Real Estate</b>									
Pass	\$ 68,191	\$ 193,289	\$ 173,703	\$ 376,515	\$ 250,344	\$ 455,879	\$ 1,517,921	\$ 209,614	\$ 1,727,535
Special mention	-	-	-	7,866	1,583	12,803	22,252	-	22,252
Substandard	-	112	1,763	1,373	-	4,426	7,674	137	7,811
Doubtful	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 68,191</b>	<b>\$ 193,401</b>	<b>\$ 175,466</b>	<b>\$ 385,754</b>	<b>\$ 251,927</b>	<b>\$ 473,108</b>	<b>\$ 1,547,847</b>	<b>\$ 209,751</b>	<b>\$ 1,757,598</b>
Current year-to-date gross write-offs (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Commercial Loans</b>	<b>\$ 79,275</b>	<b>\$ 248,223</b>	<b>\$ 210,089</b>	<b>\$ 434,888</b>	<b>\$ 275,055</b>	<b>\$ 524,955</b>	<b>\$ 1,772,485</b>	<b>\$ 378,416</b>	<b>\$ 2,150,901</b>

Retail:	2025	2024	2023	2022	2021	Prior	Term Loans Total	Revolving Loans	Grand Total
<b>Consumer</b>									
Performing	\$ 1,647	\$ 6,108	\$ 6,766	\$ 7,952	\$ 4,513	\$ 3,132	\$ 30,118	\$ 778	\$ 30,896
Nonperforming	-	-	-	-	-	-	-	-	-
Nonaccrual	-	7	24	3	-	2	36	-	36
Total	\$ 1,647	\$ 6,115	\$ 6,790	\$ 7,955	\$ 4,513	\$ 3,134	\$ 30,154	\$ 778	\$ 30,932
Current year-to-date gross write-offs (1)	\$ -	\$ -	\$ 27	\$ -	\$ -	\$ -	\$ 27	\$ -	\$ 27
<b>Construction real estate</b>									
Performing	\$ 490	\$ 898	\$ -	\$ -	\$ 515	\$ -	\$ 1,903	\$ 15,935	\$ 17,838
Nonperforming	-	-	-	-	-	-	-	-	-
Nonaccrual	-	-	-	-	-	-	-	229	229
Total	\$ 490	\$ 898	\$ -	\$ -	\$ 515	\$ -	\$ 1,903	\$ 16,164	\$ 18,067
Current year-to-date gross write-offs (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Residential real estate</b>									
Performing	\$ 12,931	\$ 57,633	\$ 71,934	\$ 174,010	\$ 116,966	\$ 173,178	\$ 606,652	\$ 107,531	\$ 714,183
Nonperforming	-	-	-	-	-	-	-	-	-
Nonaccrual	-	73	334	2,851	1,484	3,626	8,368	111	8,479
Total	\$ 12,931	\$ 57,706	\$ 72,268	\$ 176,861	\$ 118,450	\$ 176,804	\$ 615,020	\$ 107,642	\$ 722,662
Current year-to-date gross write-offs (1)	\$ -	\$ -	\$ -	\$ 4	\$ 18	\$ -	\$ 22	\$ -	\$ 22
<b>Loans to Other Financial Institutions</b>									
Performing	\$ 2,393	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,393	\$ -	\$ 2,393
Nonperforming	-	-	-	-	-	-	-	-	-
Nonaccrual	-	-	-	-	-	-	-	-	-
Total	\$ 2,393	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,393	\$ -	\$ 2,393
Current year-to-date gross write-offs (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Retail Loans	\$ 17,461	\$ 64,719	\$ 79,058	\$ 184,816	\$ 123,478	\$ 179,938	\$ 649,470	\$ 124,584	\$ 774,054

(1) It is noted that write-offs in the tables above do not include checking account write-offs. Checking account write-offs during the first three months of 2025 were \$106,000 or an annualized \$424,000 compared to \$607,000 during the full year 2024.

The following table reflects the amortized cost basis of loans as of December 31, 2024 based on year of origination (dollars in thousands):

Commercial:	2024	2023	2022	2021	2020	Prior	Term Loans Total	Revolving Loans	Grand Total
Agricultural									
Pass	\$ 7,669	\$ 1,729	\$ 2,998	\$ 2,867	\$ 1,545	\$ 18,573	\$ 35,381	\$ 12,666	\$ 48,047
Special mention	-	-	-	-	-	174	174	-	174
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-
Total	\$ 7,669	\$ 1,729	\$ 2,998	\$ 2,867	\$ 1,545	\$ 18,747	\$ 35,555	\$ 12,666	\$ 48,221
Current year-to-date gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial and Industrial									
Pass	\$ 40,184	\$ 17,481	\$ 30,769	\$ 14,659	\$ 6,100	\$ 10,110	\$ 119,303	\$ 108,656	\$ 227,959
Special mention	-	-	84	14	24	174	296	-	296
Substandard	-	-	-	-	-	1	1	-	1
Doubtful	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-
Total	\$ 40,184	\$ 17,481	\$ 30,853	\$ 14,673	\$ 6,124	\$ 10,285	\$ 119,600	\$ 108,656	\$ 228,256
Current year-to-date gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7	\$ 7	\$ -	\$ 7
Commercial Real Estate									
Pass	\$ 150,126	\$ 140,105	\$ 120,517	\$ 99,381	\$ 69,773	\$ 151,908	\$ 731,810	\$ 165,046	\$ 896,856
Special mention	-	-	-	-	-	4,274	4,274	-	4,274
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-
Total	\$ 150,126	\$ 140,105	\$ 120,517	\$ 99,381	\$ 69,773	\$ 156,182	\$ 736,084	\$ 165,046	\$ 901,130
Current year-to-date gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Commercial Loans	\$ 197,979	\$ 159,315	\$ 154,368	\$ 116,921	\$ 77,442	\$ 185,214	\$ 891,239	\$ 286,368	\$ 1,177,607

Retail:	2024	2023	2022	2021	2020	Prior	Term Loans Total	Revolving Loans	Grand Total
Consumer									
Performing	\$ 6,489	\$ 6,636	\$ 8,427	\$ 4,240	\$ 1,632	\$ 1,283	\$ 28,707	\$ 697	\$ 29,404
Nonperforming	-	-	-	-	-	-	-	-	-
Nonaccrual	-	7	1	-	-	-	8	-	8
Total	\$ 6,489	\$ 6,643	\$ 8,428	\$ 4,240	\$ 1,632	\$ 1,283	\$ 28,715	\$ 697	\$ 29,412
Current year-to-date gross write-offs (1)	\$ -	\$ 69	\$ 111	\$ 11	\$ -	\$ 2	\$ 193	\$ -	\$ 193
Construction real estate									
Performing	\$ 1,436	\$ 451	\$ -	\$ 522	\$ -	\$ -	\$ 2,409	\$ 14,404	\$ 16,813
Nonperforming	-	-	-	-	-	-	-	-	-
Nonaccrual	-	-	-	-	-	-	-	229	229
Total	\$ 1,436	\$ 451	\$ -	\$ 522	\$ -	\$ -	\$ 2,409	\$ 14,633	\$ 17,042
Current year-to-date gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Residential real estate									
Performing	\$ 40,095	\$ 43,531	\$ 54,379	\$ 25,350	\$ 13,717	\$ 45,051	\$ 222,123	\$ 56,111	\$ 278,234
Nonperforming	-	-	-	-	-	-	-	-	-
Nonaccrual	63	292	1,864	736	278	183	3,416	51	3,467
Total	\$ 40,158	\$ 43,823	\$ 56,243	\$ 26,086	\$ 13,995	\$ 45,234	\$ 225,539	\$ 56,162	\$ 281,701
Current year-to-date gross write-offs	\$ -	\$ 23	\$ -	\$ 1	\$ -	\$ 6	\$ 30	\$ -	\$ 30
Loans to Other Financial Institutions									
Performing	\$ 39,878	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,878	\$ -	\$ 39,878
Nonperforming	-	-	-	-	-	-	-	-	-
Nonaccrual	-	-	-	-	-	-	-	-	-
Total	\$ 39,878	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,878	\$ -	\$ 39,878
Current year-to-date gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Retail Loans	\$ 87,961	\$ 50,917	\$ 64,671	\$ 30,848	\$ 15,627	\$ 46,517	\$ 296,541	\$ 71,492	\$ 368,033

(1) It is noted that write-offs in the tables above do not include checking account write-offs. Checking account write-offs during the first three months of 2025 were \$106,000 or an annualized \$424,000 compared to \$607,000 during the full year 2024.

The following tables present the amortized cost basis of the loans modified to borrowers experiencing financial difficulty disaggregated by class of financing receivable and type of concession granted during the first three months of 2025 and the full year 2024.

For the period ended:

March 31, 2025

(Dollars in thousands)	Amortized Cost Basis	% of Total Class of Financing Receivable
Residential real estate	\$ 135	0%
Total	\$ 135	

For the period ended:	December 31, 2024	
	Term Extension	
(Dollars in thousands)	Amortized Cost Basis	% of Total Class of Financing Receivable
Residential real estate	121	0%
Total	\$ 121	

The following table presents the financial effect by type of modification made to borrowers experiencing financial difficulty and class of financing receivable during the first three months of 2025 and the full year 2024.

For the period ended:	March 31, 2025
	Term Extension
Residential real estate	Provided with new payment schedule to catch up on past due balance

For the period ended:	December 31, 2024
	Term Extension
Residential real estate	Provided with new five year payment plan based on bankruptcy

The following table presents the period-end amortized cost basis of financing receivables that had a payment default during the period and were modified in the 12 months before default to borrowers experiencing financial difficulty.

For the period ended:	March 31, 2025
(Dollars in thousands)	Term extension
Residential real estate	\$ 135
Total	\$ 135

For the period ended:	December 31, 2024
(Dollars in thousands)	Term extension
Residential real estate	121
Total	\$ 121

The following table presents the period-end amortized cost basis of loans that have been modified in the past 12 months to borrowers experiencing financial difficulty by payment status and class of financing receivable.

For the period ended:	March 31, 2025			
(Dollars in thousands)	Current	30-89 days	Greater than 90 days	Total
Residential real estate	\$ 135	\$ -	\$ -	\$ 135
Total	\$ 135	\$ -	\$ -	\$ 135

For the period ended:	December 31, 2024			
(Dollars in thousands)	Current	30-89 days	Greater than 90 days	Total
Residential real estate	\$ -	\$ -	\$ 121	\$ 121
Total	\$ -	\$ -	\$ 121	\$ 121

Nonaccrual loans by loan category were as follows:

As of March 31, 2025			
(Dollars in thousands)	Nonaccrual loans with no ACL	Total nonaccrual loans	Interest income recognized year to date on nonaccrual loans
Agricultural	\$ -	\$ 166	\$ -
Commercial and industrial	-	6,958	-
Consumer	-	36	-
Construction real estate	-	229	-
Commercial real estate	-	921	-
Residential real estate	1,020	8,479	-
Total nonaccrual loans	\$ 1,020	\$ 16,789	\$ -

As of December 31, 2024			
(Dollars in thousands)	Nonaccrual loans with no ACL	Total nonaccrual loans	Interest income recognized year to date on nonaccrual loans
Consumer	\$ -	\$ 8	\$ 1
Construction real estate	-	229	9
Residential real estate	806	3,467	71
Total nonaccrual loans	\$ 806	\$ 3,704	\$ 81

An aging analysis of loans by loan category follows:

(Dollars in thousands)	Loans Past Due 30 to 59 Days (1)	Loans Past Due 60 to 89 Days (1)	Loans Past Due Greater Than 90 Days (1)	Total (1)	Loans Not Past Due	Total Loans	Loans 90 Days Past Due and Accruing
<u>March 31, 2025</u>							
Agricultural	\$ 38	\$ -	\$ -	\$ 38	\$ 48,127	\$ 48,165	\$ -
Commercial and industrial	78	27	5,032	5,137	340,001	345,138	-
Consumer	142	14	35	191	30,741	30,932	-
Commercial real estate	9,128	79	921	10,128	1,747,470	1,757,598	-
Construction real estate	1,314	-	229	1,543	16,524	18,067	-
Residential real estate	17,754	913	2,160	20,827	701,835	722,662	-
Loans to Other Financial Institutions	-	-	-	-	2,393	2,393	-
	<u>\$ 28,454</u>	<u>\$ 1,033</u>	<u>\$ 8,377</u>	<u>\$ 37,864</u>	<u>\$ 2,887,091</u>	<u>\$ 2,924,955</u>	<u>\$ -</u>

Residential real estate loans past due 30 to 59 days were elevated at March 31, 2025 primarily due to timing of payment vouchers. Approximately \$7.1 million of this category was paid current within 10 days following quarter end.

(Dollars in thousands)	Loans Past Due 30 to 59 Days (1)	Loans Past Due 60 to 89 Days (1)	Loans Past Due Greater Than 90 Days (1)	Total (1)	Loans Not Past Due	Total Loans	Loans 90 Days Past Due and Accruing
<u>December 31, 2024</u>							
Agricultural	\$ -	\$ -	\$ -	\$ -	\$ 48,221	\$ 48,221	\$ -
Commercial and industrial	-	49	-	49	228,207	228,256	-
Consumer	52	87	7	146	29,266	29,412	-
Commercial real estate	23	-	-	23	901,107	901,130	-
Construction real estate	694	-	229	923	16,119	17,042	-
Residential real estate	4,866	765	1,850	7,481	274,220	281,701	-
Loans to Other Financial Institutions	-	-	-	-	39,878	39,878	-
	<u>\$ 5,635</u>	<u>\$ 901</u>	<u>\$ 2,086</u>	<u>\$ 8,622</u>	<u>\$ 1,537,018</u>	<u>\$ 1,545,640</u>	<u>\$ -</u>

(1) Includes nonaccrual loans.

NOTE 4 – EARNINGS PER SHARE

Earnings per share are based on the weighted average number of shares outstanding during the period. A computation of basic earnings per share and diluted earnings per share follows:

(Dollars in thousands, except share data)	Three Months Ended March 31,	
	2025	2024
<u>Basic</u>		
Net (loss) income	\$ (13,906)	\$ 5,634
Weighted average common shares outstanding	10,676,068	7,552,680
Basic (loss) earnings per common shares	\$ (1.30)	\$ 0.75
<u>Diluted</u>		
Net (loss) income	\$ (13,906)	\$ 5,634
Weighted average common shares outstanding	10,676,068	7,552,680
Plus dilutive stock options and restricted stock units	64,016	47,336
Weighted average common shares outstanding and potentially dilutive shares	10,740,084	7,600,016
Diluted (loss) earnings per common share	\$ (1.29)	\$ 0.74

There were no stock options that were considered anti-dilutive to earnings per share for the three months ended March 31, 2025 and 4,500 stock options that were considered anti-dilutive to earnings per share for the three months ended March 31, 2024.



**NOTE 5 – FINANCIAL INSTRUMENTS**

Financial instruments as of the dates indicated were as follows:

(Dollars in thousands)	Carrying Amount	Estimated Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2025					
Assets					
Cash and cash equivalents	\$ 139,421	\$ 139,421	\$ 139,421	\$ -	\$ -
Equity securities at fair value	9,328	9,328	5,571	-	3,757
Securities available for sale	480,650	480,650	86,753	393,897	-
Securities held to maturity	394,434	344,223	-	327,133	17,090
Federal Home Loan Bank and Federal					
Reserve Bank stock	30,919	30,919	-	30,919	-
Loans held for sale	3,941	4,059	-	4,059	-
Loans, net	2,890,388	2,820,588	-	-	2,820,588
Accrued interest receivable	17,070	17,070	-	17,070	-
Interest rate lock commitments	95	95	-	95	-
Interest rate derivative contracts	11,712	11,712	-	11,712	-
Loan swaps	1,271	1,271	-	1,271	-
Liabilities					
Noninterest-bearing deposits	912,033	912,033	912,033	-	-
Interest-bearing deposits	2,672,401	2,671,235	-	2,671,235	-
Brokered deposits	67,295	67,534	-	67,534	-
Borrowings	137,330	137,517	-	137,517	-
Subordinated debentures	48,186	43,265	-	43,265	-
Accrued interest payable	3,769	3,769	-	3,769	-
Interest rate derivative contracts	-	-	-	-	-
Interest rate swaps	1,283	1,283	-	1,283	-
December 31, 2024					
Assets					
Cash and cash equivalents	\$ 96,751	\$ 96,751	\$ 96,751	\$ -	\$ -
Equity securities at fair value	7,782	7,782	4,838	-	2,944
Securities available for sale	479,117	479,117	80,502	398,615	-
Securities held to maturity	394,534	339,048	-	324,591	14,457
Federal Home Loan Bank and Federal					
Reserve Bank stock	14,690	14,690	-	14,690	-
Loans held for sale	7,288	7,507	-	7,507	-
Loans, net	1,529,088	1,496,704	-	-	1,496,704
Accrued interest receivable	10,376	10,376	-	10,376	-
Interest rate lock commitments	95	95	-	95	-
Interest rate derivative contracts	23,649	23,649	-	23,649	-
Interest rate swaps	686	686	-	686	-
Liabilities					
Noninterest-bearing deposits	524,945	524,945	524,945	-	-
Interest-bearing deposits	1,652,647	1,652,169	-	1,652,169	-
Brokered deposits	36,511	36,508	-	36,508	-
Borrowings	175,000	175,139	-	175,139	-
Subordinated debentures	35,752	32,895	-	32,895	-
Accrued interest payable	1,694	1,694	-	1,694	-
Interest rate swaps	686	686	-	686	-

## NOTE 6 – FAIR VALUE MEASUREMENTS

The following tables present information about the Company’s assets and liabilities measured at fair value on a recurring basis at March 31, 2025 and December 31, 2024, and the valuation techniques used by the Company to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Company’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Disclosures concerning assets and liabilities measured at fair value are as follows:

**Assets and Liabilities Measured at Fair Value on a Recurring Basis**

(Dollars in thousands)	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at Date Indicated
<u>Equity Securities Held at Fair Value - March 31, 2025</u>				
Equity securities	\$ 5,571	\$ -	\$ 3,757	\$ 9,328
<u>Investment Securities, Available for Sale - March 31, 2025</u>				
U. S. Government and federal agency	\$ -	\$ 993	\$ -	\$ 993
U.S. Treasury notes and bonds	86,753	-	-	86,753
State and municipal	-	224,240	-	224,240
Mortgage-backed	-	159,340	-	159,340
Corporate	-	212	-	212
Asset-backed securities	-	9,112	-	9,112
Total	\$ 86,753	\$ 393,897	\$ -	\$ 480,650
<u>Derivative Instruments - March 31, 2025</u>				
Interest rate derivative contracts - assets	\$ -	\$ 11,712	\$ -	\$ 11,712
Interest rate derivative contracts - liabilities	\$ -	\$ -	\$ -	\$ -
<u>Loan Swaps - March 31, 2025</u>				
Loan swaps - assets	\$ -	\$ 1,271	\$ -	\$ 1,271
Loan swaps - liabilities	\$ -	\$ 1,283	\$ -	\$ 1,283
<u>Equity Securities Held at Fair Value - December 31, 2024</u>				
Equity securities	\$ 4,838	\$ -	\$ 2,944	\$ 7,782
<u>Investment Securities, Available for Sale - December 31, 2024</u>				
U. S. Treasury notes and bonds	\$ 80,502	\$ -	\$ -	\$ 80,502
State and municipal	-	228,236	-	228,236
Mortgage-backed	-	160,970	-	160,970
Corporate	-	212	-	212
Asset-backed securities	-	9,197	-	9,197
Total	\$ 80,502	\$ 398,615	\$ -	\$ 479,117
<u>Derivative Instruments - December 31, 2024</u>				
Interest rate derivative contracts - assets	\$ -	\$ 23,649	\$ -	\$ 23,649
Interest rate derivative contracts - liabilities	\$ -	\$ -	\$ -	\$ -
<u>Loan Swaps - December 31, 2024</u>				
Interest rate swaps - assets	\$ -	\$ 686	\$ -	\$ 686
Interest rate swaps - liabilities	\$ -	\$ 686	\$ -	\$ 686

Securities classified as available for sale are generally reported at fair value utilizing Level 2 inputs. ChoiceOne's external investment advisor obtained fair value measurements from an independent pricing service that uses matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs). The fair value measurements considered observable data that may include dealer quotes, market spreads, cash flows and the bonds' terms and conditions, among other

things. Securities classified in Level 2 included U.S. Government and federal agency securities, state and municipal securities, mortgage-backed securities, corporate bonds, and asset backed securities. The Company classified certain state and municipal securities and corporate bonds, and equity securities as Level 3. Based on the lack of observable market data, estimated fair values were based on the observable data available and reasonable unobservable market data.

### Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis

(Dollars in thousands)	Three Months Ended March 31,	
	2025	2024
<b>Equity Securities Held at Fair Value</b>		
Balance, January 1	\$ 2,944	\$ 2,756
Total realized and unrealized (losses) gains included in noninterest income	58	79
Net purchases, sales, calls, and maturities	755	20
Net transfers into Level 3	-	-
Balance, March 31,	<u>\$ 3,757</u>	<u>\$ 2,855</u>
Amount of total losses for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets and liabilities still held at March 31,	<u>\$ 9</u>	<u>\$ 1</u>

Of the Level 3 assets that were held by the Company at March 31, 2025, the net unrealized gain as of March 31, 2025 was \$375,000, compared to \$291,000 as of March 31, 2024. The change in the net unrealized gain or loss is recognized in noninterest income or other comprehensive income in the consolidated balance sheets and income statements. Amounts recognized in noninterest income relate to changes in equity securities. A total of \$755,000 and \$20,000 of Level 3 securities were purchased during the three months ended 2025 and 2024, respectively.

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets and liabilities. As a result, the unrealized gains and losses for these assets and liabilities presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

The Company also has assets that under certain conditions are subject to measurement at fair value on a non-recurring basis. These assets are not normally measured at fair value, but can be subject to fair value adjustments in certain circumstances, such as impairment. Disclosures concerning assets measured at fair value on a non-recurring basis are as follows:

### Assets Measured at Fair Value on a Non-recurring Basis

(Dollars in thousands)	Balances at Dates Indicated	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Collateral Dependent Loans</u>				
March 31, 2025	\$ 1,155	\$ -	\$ -	\$ 1,155
December 31, 2024	\$ 1,887	\$ -	\$ -	\$ 1,887
<u>Other Real Estate</u>				
March 31, 2025	\$ 2,365	\$ -	\$ -	\$ 2,365
December 31, 2024	\$ 473	\$ -	\$ -	\$ 473

Collateral dependent loans classified as Level 3 are loans for which the repayment is expected to be provided substantially through the sale or operation of the collateral when the borrower is experiencing financial difficulty. The fair value of the collateral should be adjusted for estimated costs to sell if the repayment depends on the sale of the collateral. The net carrying amount of the loan should not exceed the fair value of the collateral (less costs to sell, if applicable).

## NOTE 7 – REVENUE FROM CONTRACTS WITH CUSTOMERS

ChoiceOne has a variety of sources of revenue, which include interest and fees from customers as well as revenue from non-customers. ASC Topic 606, Revenue from Contracts with Customers, covers certain sources of revenue that are classified within noninterest income in the Consolidated Statements of Income. Sources of revenue that are included in the scope of ASC Topic 606 include service charges and fees on deposit accounts, interchange income, investment asset management income and transaction-based revenue, and other charges and fees for customer services.

### Service Charges and Fees on Deposit Accounts

Revenue includes charges and fees to provide account maintenance, overdraft services, wire transfers, funds transfer, and other deposit-related services. Account maintenance fees such as monthly service charges are recognized over the period of time that the service is provided. Transaction fees such as wire transfer charges are recognized when the service is provided to the customer.

### Interchange Income

Revenue includes debit card interchange and network revenues. This revenue is earned on debit card transactions that are conducted through payment networks such as MasterCard. The revenue is recorded as services are delivered and is presented net of interchange expenses.

### Investment Commission Income

Revenue includes fees from the investment management advisory services and revenue is recognized when services are rendered. Revenue also includes commissions received from the placement of brokerage transactions for purchase or sale of stocks or other investments. Commission income is recognized when the transaction has been completed.

### Trust Fee Income

Revenue includes fees from the management of trust assets and from other related advisory services. Revenue is recognized when services are rendered.

Following is noninterest income separated by revenue within the scope of ASC 606 and revenue within the scope of other GAAP topics:

(Dollars in thousands)	Three Months Ended March 31,	
	2025	2024
Customer service charges	\$ 1,181	\$ 1,143
Credit and debit card fees	1,509	1,262
Investment commission income	295	198
Trust fee income	506	213
Other charges and fees for customer services	162	149
Noninterest income from contracts with customers within the scope of ASC 606	3,653	2,965
Noninterest income within the scope of other GAAP topics	1,269	1,086
Total noninterest income	\$ 4,922	\$ 4,051

## NOTE 8 – DERIVATIVE AND HEDGING ACTIVITIES

ChoiceOne is exposed to certain risks relating to its ongoing business operations. ChoiceOne utilizes interest rate derivatives as part of its asset liability management strategy to help manage its interest rate risk position. Derivative instruments represent contracts between parties that result in one party delivering cash to the other party based on a notional amount and an underlying term (such as a rate, security price or price index) as specified in the contract. The amount of cash delivered from one party to the other is determined based on the interaction of the notional amount of the contract with the underlying term. Derivatives are also implicit in certain contracts and commitments.

ChoiceOne recognizes derivative financial instruments in the consolidated financial statements at fair value regardless of the purpose or intent for holding the instrument. ChoiceOne records derivative assets and derivative liabilities on the balance sheet within other assets and other liabilities, respectively. Changes in the fair value of derivative financial instruments are either recognized in income or in shareholders' equity as a component of accumulated other comprehensive income or loss depending on whether the derivative financial instrument qualifies for hedge accounting and, if so, whether it qualifies as a fair value hedge or cash flow hedge.

### Interest rate swaps

ChoiceOne uses interest rate swaps as part of its interest rate risk management strategy to add stability to net interest income and to manage its exposure to interest rate movements. Interest rate swaps designated as hedges involve the receipt of variable-rate amounts from a counterparty in exchange for ChoiceOne making fixed-rate payments or the receipt of fixed-rate amounts from a counterparty in exchange for ChoiceOne making variable rate payments, over the life of the agreements without the exchange of the underlying notional amount.

In the second quarter of 2022, ChoiceOne entered into two pay-floating/receive-fixed interest rate swaps (the "Pay Floating Swap Agreements") for a total notional amount of \$200.0 million that were designated as cash flow hedges. These derivatives hedge the variable cash flows of specifically identified available-for-sale securities, cash and loans. The Pay Floating Swap Agreements were determined to be highly effective during the periods presented and therefore no amount of ineffectiveness has been included in net income. The Pay Floating Swap Agreements pay a coupon rate equal to SOFR while receiving a fixed coupon rate of 2.41%. In March 2023, ChoiceOne terminated all Pay Floating Swap Agreements for a cash payment of \$4.2 million. The loss was amortized into interest income over 13 months, which was the remaining period of the swap agreements. During the first quarter of 2024, \$205,000 of the loss was amortized, and as of April 2024, the loss was fully amortized.

In the second quarter of 2022, ChoiceOne entered into one forward starting pay-fixed/receive-floating interest rate swap (the "Pay Fixed Swap Agreement") for a notional amount of \$200.0 million that was designated as a cash flow hedge. This derivative hedges the risk of variability in cash flows attributable to forecasted payments on future deposits or floating rate borrowings indexed to the SOFR Rate. The Pay Fixed Swap Agreement is two years forward starting with an eight-year term set to expire in 2032. The Pay Fixed Swap Agreement will pay a fixed coupon rate of 2.75% while receiving the SOFR Rate, which began in April 2024. Net settlements on the Pay Fixed Swap Agreement were \$750,000 for the three months ended March 31, 2025 compared to \$0 in the prior year for the same time period, which reduced interest expense.

In the fourth quarter of 2022, ChoiceOne entered into four pay-fixed/receive-floating interest rate swaps for a total notional amount of \$201.0 million that were designated as fair value hedges. These derivatives hedge the risk of changes in fair value of certain available for sale securities for changes in the SOFR benchmark interest rate component of the fixed rate bonds. All four of these hedges were effective immediately on December 22, 2022. Of the total notional value, \$101.9 million has a ten-year term set to expire in 2032, with the benchmark SOFR interest rate risk component of the fixed rate bonds equal to 3.390%. Of the total notional value, \$50.0 million has a nine-year term set to expire in 2031, with the benchmark SOFR interest rate risk component of the fixed rate bonds equal to 3.4015%. The remaining notional value of \$49.1 million has a nine-year term set to expire in 2031, with the benchmark SOFR interest rate risk component of the fixed rate bond equal to 3.4030%. ChoiceOne adopted ASC 2022-01, as of December 20, 2022, to use the portfolio layer method. The fair value basis adjustment associated with available-for-sale fixed rate bonds initially results in an adjustment to AOCI. For available-for-sale securities subject to fair value hedge accounting, the changes in the fair value of the fixed rate bonds related to the hedged risk (the benchmark interest rate component and the partial term) are then reclassified from AOCI to current earnings offsetting the fair value measurement change of the interest rate swap, which is also recorded in current earnings. Net cash settlements are received/paid semi-annually, with the first starting in March 2023, and are included in interest income.

On February 6, 2025, ChoiceOne sold \$50 million of pay fixed receive floating interest rate swaps. The sold swaps had a fixed rate of 2.75% and a floating rate that will be determined periodically over the life of the swaps. This transaction resulted in a gain of approximately \$3.6 million, which will be recognized through interest expense over the 7 years remaining on the life of the swap. On

March 31, 2025, ChoiceOne held pay-fixed interest rate swaps with a total notional value of \$351.0 million, a weighted average coupon of 3.12%, a fair value of \$11.7 million and an average remaining contract length of 7.1 years.

These derivative instruments change in value as rates rise or fall inverse to the change in unrealized losses of the available for sale portfolio due to rates. Settlements from swaps amounted to \$1.3 million for the first quarter of 2025 compared to \$1.0 million for the first quarter of 2024, which were included in interest income.



The table below presents the fair value of derivative financial instruments as well as the classification within the consolidated statements of financial condition:

(Dollars in thousands)	March 31, 2025		December 31, 2024	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments				
Interest rate contracts	Other Assets	\$ 11,712	Other Assets	\$ 23,649
Interest rate contracts	Other Liabilities	\$ -	Other Liabilities	\$ -

The table below presents the effect of fair value and cash flow hedge accounting on the consolidated statements of operations for the periods presented:

(Dollars in thousands)	Location and Amount of Gain or (Loss) Recognized in Income on Fair Value and Cash Flow Hedging Relationships			
	Three months ended March 31, 2025		Three months ended March 31, 2024	
	Interest Income	Interest Expense	Interest Income	Interest Expense
Total amounts of income and expense line items presented in the consolidated statements of income in which the effects of fair value or cash flow hedges are recorded	\$ 550	\$ (750)	\$ 58	\$ -
Gain or (loss) on fair value hedging relationships:				
Interest rate contracts:				
Hedged items	\$ 4,578	\$ -	\$ (5,323)	\$ -
Derivatives designated as hedging instruments	\$ (4,534)	\$ -	\$ 5,265	\$ -
Amount excluded from effectiveness testing recognized in earnings based on amortization approach	\$ -	\$ -	\$ -	\$ -
Gain or (loss) on cash flow hedging relationships:				
Interest rate contracts:				
Amount of gain or (loss) reclassified from accumulated other comprehensive income into income	\$ -	\$ -	\$ (887)	\$ -
Amount excluded from effectiveness testing recognized in earnings based on amortization approach	\$ 73	\$ -	\$ -	\$ -

The table below presents the cumulative basis adjustments on hedged items designated as fair value hedges and the related amortized cost of those items as of the periods presented:

(Dollars in thousands)	March 31, 2025	
Line Item in the Statement of Financial Position in which the Hedged Item is included	Amortized cost of the Hedged Assets/(Liabilities)	Cumulative amount of Fair Value Hedging Adjustment included in the carrying amount of the Hedged Assets/(Liabilities)
Securities available for sale	\$ 219,204	\$ (3,024)

### Back to Back Loan Swaps

Derivatives not designated as hedges are not speculative and result from a service provided to certain commercial loan borrowers. ChoiceOne executes interest rate swaps with commercial banking customers desiring longer-term fixed rate loans, while simultaneously entering into interest rate swaps with a correspondent bank to offset the impact of the interest rate swaps with the commercial banking customers. This is known as a back to back loan swap agreement. The net result is the desired floating rate loan and a minimization of the risk exposure of the interest rate swap transactions. Under this arrangement the Bank has three freestanding interest rate swaps, each

of which is carried at fair value. As the interest rate swaps associated with this program do not meet the strict hedge accounting requirements, changes in the fair value of both the commercial banking customer interest rate swaps and the offsetting interest rate swaps with the correspondent bank are recognized directly to earnings. As the terms mirror each other, there is no income statement impact to the Bank.

The table below presents the notional and fair value of these derivative instruments as of March 31, 2025 and December 31, 2024:

March 31, 2025			
(Dollars in thousands)	Notional Amount	Balance Sheet Location	Fair Value
Derivative assets			
Interest rate swaps	\$ 72,855	Other Assets	\$ 1,271
Derivative liabilities			
Interest rate swaps	\$ 72,855	Other Liabilities	\$ 1,283
December 31, 2024			
(Dollars in thousands)	Notional Amount	Balance Sheet Location	Fair Value
Derivative assets			
Interest rate swaps	\$ 56,526	Other Assets	\$ 686
Derivative liabilities			
Interest rate swaps	\$ 56,526	Other Liabilities	\$ 686

The fair value of interest rate swaps in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk related to these agreements was \$1.3 million and \$686,000 as of March 31, 2025 and December 31, 2024, respectively. ChoiceOne has a master netting agreement with the correspondent bank and has the right to offset, however, ChoiceOne has elected to present the assets and liabilities gross. ChoiceOne is required to pledge collateral to the correspondent bank equal to or in excess of the net liability position. ChoiceOne's derivative liability with the correspondent bank was \$1.3 million and \$686,000 at March 31, 2025 and December 31, 2024, respectively. Cash pledged as collateral to the correspondent bank was \$1.9 million and \$0 at March 31, 2025 and December 31, 2024, respectively.

Interest rate swaps entered into with commercial loan customers had notional amounts aggregating \$72.9 million as of March 31, 2025 and \$56.5 million at December 31, 2024. Associated credit exposure is generally mitigated by securing the interest rate swaps with the underlying collateral of the loan instrument that has been hedged.

## NOTE 9 – Borrowings

The following represents the contractual maturities of Federal Home Loan Bank Advances:

(Dollars in thousands)	March 31, 2025	December 31, 2024
Maturity of January 2025 with fixed interest rate of 4.48%	\$ -	\$ 135,000
Maturity of April 2025 with fixed interest rate of 4.49%	40,000	
Maturity of May 2025 with fixed interest rate of 0.60%	10,000	
Maturity of July 2025 with fixed interest rate of 4.88%	20,000	20,000
Maturity of December 2025 with fixed interest rate of 4.11%	10,000	
Maturity of January 2026 with fixed interest rate of 4.35%	10,000	10,000
Maturity of December 2026 with fixed interest rate of 3.88%	10,000	
Maturity of December 2026 with fixed interest rate of 4.20%	10,000	10,000
Maturity of December 2027 with fixed interest rate of 3.76%	20,000	
Total contractual advances outstanding at period end	\$ 130,000	\$ 175,000

Advances from the FHLB were secured by residential real estate loans with a carrying value of approximately \$203.8 million and securities with a carrying value of approximately \$282.4 million at March 31, 2025. Based on this collateral, the Bank was eligible to borrow an additional \$359.2 million at March 31, 2025. Advances from the FHLB were secured by residential real estate loans with a carrying value of approximately \$204.4 million and securities with a carrying value of approximately \$265.5 million at December 31, 2024.

Advances from the Federal Reserve Bank were secured by securities with a carrying value of approximately \$358.1 million and loans with a carrying value of approximately \$516.3 million at March 31, 2025. Based on this collateral, the Bank was eligible to borrow an additional \$716.1 million at March 31, 2025. As of December 31, 2024, ChoiceOne had no borrowings from the Federal Reserve Bank, and had securities pledged with a carrying value of approximately \$349.9 million and loans pledged with a carrying value of approximately \$460.6 million.

In June 2021, ChoiceOne obtained a \$20 million line of credit with an annual renewal. The line carries a floating rate of prime rate with a floor of 3.25% and current rate of 7.5% at March 31, 2025. The credit agreement includes certain financial covenants, including minimum capital ratios, asset quality ratios, and the requirements of achieving certain profitability thresholds. ChoiceOne was in compliance with all covenants as of March 31, 2025. The line of credit balance was \$7.7 million at March 31, 2025.

ChoiceOne acquired trust preferred securities in the acquisition of Fentura. Fentura Capital Trust I sold 12,000 Cumulative Preferred Securities (“trust preferred securities”) at \$1,000 per security in a December 2003 offering. The proceeds from the sale of the trust preferred securities were used by the Fentura Capital Trust I to purchase an equivalent amount of subordinated debentures from Fentura. The trust preferred securities and subordinated debentures carry a floating rate of 3.00% over the 3-month LIBOR and the rate was 4.56% at March 31, 2025. The stated maturity is December 15, 2033. Total trust preferred securities at March 31, 2025 were \$10.8 million consisting of \$12.0 million in trust preferred securities less \$1.2 million in merger fair value adjustments, which is being amortized over the next 8 years. The trust preferred securities are redeemable at par value on any interest payment date and are, in effect, guaranteed by ChoiceOne. Interest on the subordinated debentures is payable quarterly on March 15, June 15, September 15 and December 15. ChoiceOne is not considered the primary beneficiary of the Fentura Capital Trust I (under the variable interest entity rules), and the Fentura Capital Trust I is not consolidated in the consolidated financial statements. Rather, the subordinated debentures are shown as a liability, and the interest expense is recorded in the consolidated statement of income.

The Fentura Capital Trust II sold 2,000 Cumulative Preferred Securities (“trust preferred securities”) at \$1,000 per security in an August 2005 offering. The proceeds from the sale of the trust preferred securities were used by the Fentura Capital Trust II to purchase an equivalent amount of subordinated debentures from Fentura. The trust preferred securities and subordinated debentures carry a floating rate of 1.86% over the 3-month LIBOR and the rate was 4.33% at March 31, 2025. The stated maturity is November 23, 2035. Total trust preferred securities at March 31, 2025 were \$1.6 million consisting of \$2.0 million in trust preferred securities less \$416,000 in merger fair value adjustments, which is being amortized over the next 10 years. The trust preferred securities are redeemable at par value on any interest payment date and are, in effect, guaranteed by ChoiceOne. Interest on the subordinated debentures is payable quarterly on February 23, May 23, August 23 and November 23. ChoiceOne is not considered the primary beneficiary of the Fentura

Capital Trust II (under the variable<sup>72</sup>interest entity rules), and the Fentura Capital Trust II is not consolidated in the consolidated financial statements. Rather, the subordinated debentures are shown as a liability, and the interest expense is recorded in the consolidated statement of income.

## Note 10 – Segment Reporting

### Segment Reporting

ChoiceOne operates in one reportable segment, which is community banking. ChoiceOne provides a full range of financial services to individual and business customers through its network of branches and ATMs. ChoiceOne's products and services include deposit accounts, loans, mortgage banking, and other financial services.

At ChoiceOne, the Chief Operating Decision Maker (CODM) is the Chief Executive Officer. The CODM evaluates key metrics, such as consolidated net income and its major components, to develop strategies and allocate resources effectively. This analysis involves receiving comprehensive financial information on a consolidated basis, which includes actual and budgeted data, credit quality metrics, net income, earnings per share, loan originations, deposit growth, total non-interest income, and non-interest expense.

### Entity-Wide Disclosures

**Products and Services:** ChoiceOne's revenues are derived from a variety of financial products and services, including interest income from loans and investments, fees from deposit accounts, and income from mortgage banking activities.

**Geographic Areas:** ChoiceOne operates primarily in the state of Michigan, with a significant portion of its revenues generated from customers located in Michigan. ChoiceOne does not have any operations outside of the United States.

**Major Customers:** ChoiceOne does not have any single customer that accounts for 10% or more of its total revenues.

**Reconciliations:** The following table reconciles ChoiceOne's total revenues, profit or loss, and assets to the consolidated financial statements:

(Dollars in thousands)	Three Months Ended March 31,			
	2025		2024	
Total Revenues	\$	44,881	\$	32,483
Net (loss) Income	\$	(13,906)	\$	5,634
Total Assets	\$	4,305,391	\$	2,670,699

## NOTE 11 – BUSINESS COMBINATION

On March 1, 2025, ChoiceOne completed the Merger, in an all stock transaction, of Fentura, the former parent company of The State Bank, with and into ChoiceOne, with ChoiceOne surviving the Merger. The primary reason for the Merger was to expand ChoiceOne's market presence and enhance its financial strength by integrating Fentura's substantial customer base. On March 14, 2025, ChoiceOne Bank completed the consolidation of The State Bank with and into ChoiceOne Bank, with ChoiceOne Bank surviving the consolidation. Fentura had 20 branch offices and one loan production office as of the date of the Merger. Total assets acquired in the Merger were approximately \$1.8 billion, including total loans of approximately \$1.4 billion. Total deposits acquired in the Merger, the majority of which were core deposits, totaled approximately \$1.4 billion. The impact of the Merger has been included in ChoiceOne's results of operations since March 1, 2025. As consideration in the Merger, ChoiceOne issued 6,070,836 shares of ChoiceOne common stock with an approximate total value of \$193.0 million. The results of Merger are included in the results of ChoiceOne subsequent to the merger date. Transaction costs incurred after the merger date were primarily in salaries and employee benefits and legal and consulting in the Consolidated Statements of Operations, as well as a \$12.0 million provision for credit losses. The initial accounting for the business combination has been determined provisionally for the fair value of certain assets and liabilities, including loans, core deposit intangible, and deferred taxes. Management expects to finalize calculations supporting the fair value of these assets and liabilities during the measurement period.

The table below presents the allocation of purchase price for the Merger with Fentura (dollars in thousands):

### Purchase Price

Consideration	\$	192,992
<b>Net assets acquired:</b>		
Cash and cash equivalents		173,082
Securities available for sale		90,696
Federal Home Loan Bank and Federal Reserve Bank stock		9,179
Originated loans		1,376,721
Premises and equipment		16,664
Other real estate owned		1,735
Intangible assets		34,737
Other assets		48,815
Total assets		1,751,629
Non-interest bearing deposits		404,497
Interest bearing deposits		1,027,384
Total deposits		1,431,881
Borrowing		169,786
Subordinated debentures		12,344
Other liabilities		11,410
Total liabilities		1,625,421
Net assets acquired		126,208
Goodwill	\$	66,784

The proforma information below reflects adjustments made to exclude the impact of after-tax merger - related expenses of \$13.8 million and the non-recurring provision for credit losses on acquired loans of \$9.5 million for the first quarter of 2025 and include such expenses in the first quarter of 2024. Adjustments also included adjusting net interest income by the estimated accretion of fair value marks on acquired loans of \$1.6 million in 2025 and \$2.4 million in 2024. Additionally, the net income (loss) was adjusted to reflect the after tax impact of the interest income offset by the impact of intangible amortization of \$1.1 million and \$1.6 million in 2025 and 2024, respectively, resulting in an after tax adjustment to net income (loss) of \$433,000 and \$649,000 in 2025 and 2024, respectively.

(Dollars in thousands)	Three Months Ended			
	2025		March 31, 2024	
Net interest income plus other income	\$	42,566	\$	37,506
Net income (loss)	\$	10,494	\$	(14,143)

The pro forma information is theoretical in nature and not necessarily indicative of future consolidated results of operations of the Company or the consolidated results of operations which would have resulted had ChoiceOne acquired Fentura during the periods presented.

ChoiceOne has determined that it is impractical to report the amounts of revenue and earnings of legacy Fentura since the Merger date due to the integration of operations shortly after the merger date. Accordingly, reliable and separate complete revenue and earnings information is no longer available. In addition, such amounts would require significant estimates related to the proper allocation of Merger cost savings that cannot be objectively made.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion is designed to provide a review of the consolidated financial condition and results of operations of ChoiceOne Financial Services, Inc. ("ChoiceOne") and its wholly-owned subsidiaries. This discussion should be read in conjunction with the interim consolidated financial statements and related notes.

### **FORWARD-LOOKING STATEMENTS**

This discussion and other sections of this quarterly report contain forward-looking statements that are based on management's beliefs, assumptions, current expectations, estimates and projections about the financial services industry, the economy, and ChoiceOne. Words such as "anticipates," "believes," "estimates," "expects," "forecasts," "intends," "is likely," "plans," "predicts," "projects," "may," "could," "look forward," "continue," "future," "will" and variations of such words and similar expressions are intended to identify such forward-looking statements. Management's determination of the provision and allowance for credit losses, the carrying value of goodwill, loan servicing rights, other real estate owned, and the fair value of investment securities (including whether any impairment on any investment security is temporary or other-than-temporary and the amount of any impairment) and management's assumptions concerning pension and other post-retirement benefit plans involve judgments that are inherently forward-looking. All of the information concerning interest rate sensitivity is forward-looking. All statements with references to future time periods are forward-looking. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions ("risk factors") that are difficult to predict with regard to timing, extent, likelihood, and degree of occurrence. Therefore, actual results and outcomes may materially differ from what may be expressed, implied or forecasted in such forward-looking statements. Furthermore, ChoiceOne undertakes no obligation to update, amend, or clarify forward-looking statements, whether as a result of new information, future events, or otherwise.

Risk factors include, but are not limited to, the risk factors discussed in Item 1A of ChoiceOne's Annual Report on Form 10-K for the year ended December 31, 2024. These are representative of the risk factors that could cause a difference between an ultimate actual outcome and a preceding forward-looking statement.

### **NON-GAAP FINANCIAL MEASURES**

In addition to results presented in accordance with GAAP, this report includes certain non-GAAP financial measures. ChoiceOne believes these non-GAAP financial measures provide additional information that is useful to investors in helping to understand underlying financial performance and condition and trends of ChoiceOne.

Non-GAAP financial measures have inherent limitations. Readers should be aware of these limitations and should be cautious with respect to the use of such measures. To compensate for these limitations, non-GAAP measures are used as comparative tools, together with GAAP measures, to assist in the evaluation of operating performance or financial condition. These measures are also calculated using the appropriate GAAP or regulatory components in their entirety and are computed in a manner intended to facilitate consistent period-to-period comparisons. ChoiceOne's method of calculating these non-GAAP measures may differ from methods used by other companies. These non-GAAP measures should not be considered in isolation or as a substitute for those financial measures prepared in accordance with GAAP or in-effect regulatory requirements.

Where non-GAAP financial measures are used, the most directly comparable GAAP or regulatory financial measure, as well as the reconciliation to the most directly comparable GAAP or regulatory financial measure, can be found in the tables to this news release under the heading non-GAAP reconciliation.

### **RECENT EVENTS**

On July 26, 2024, ChoiceOne completed an underwritten public offering of 1,380,000 shares of its common stock at a price to the public of \$25.00 per share (the "Common Stock Offering"). The aggregate gross proceeds of the Common Stock Offering were approximately \$34.5 million before deducting underwriting discounts and estimated offering expenses. The proceeds from the Common Stock Offering will qualify as tangible common equity and Tier 1 common equity.

On March 1, 2025, ChoiceOne completed the merger (the "Merger") of Fentura Financial, Inc. ("Fentura"), the former parent company of The State Bank, with and into ChoiceOne with ChoiceOne surviving the Merger. On March 14, 2025, ChoiceOne Bank completed the consolidation of The State Bank with and into ChoiceOne Bank with ChoiceOne Bank surviving the consolidation. Accordingly, the reported consolidated financial results for the first quarter ended March 31, 2025 include financial results for ChoiceOne and ChoiceOne Bank and, from and after March 1, 2025, Fentura and The State Bank. Following the Merger, ChoiceOne is the third largest

publicly traded bank headquartered in Michigan with approximately \$4.3 billion in consolidated total assets and 56 offices in Western, Central and Southeastern Michigan.

With recent news of tariffs expected to impact the automotive industry, ChoiceOne performed a review of loans in the automotive sector. ChoiceOne has total outstanding loans to businesses in the automotive sector of \$99.3 million, which represents 3.4% of gross loans (excluding loans held for sale). These loans are primarily to Tier 2 and Tier 3 suppliers, many of which serve multiple industries and manufacturers. The average balance of these loans was \$409,000. Although ChoiceOne's exposure is low as a percentage of the portfolio, we will continue to monitor these relationships closely.

## RESULTS OF OPERATIONS

ChoiceOne reported net loss of \$13,906,000 for the three months ended March 31, 2025, compared to net income of \$5,634,000 for the same period in 2024. Net income excluding merger expenses, net of taxes, and merger related provision for credit losses, net of taxes was \$9,310,000 for the three months ended March 31, 2025. Diluted loss per share was \$1.29 for the three months ended March 31, 2025, compared to diluted earnings per share of \$0.74 in the same period in the prior year. Diluted earnings per share excluding merger expenses, net of taxes, and merger related provision for credit losses, net of taxes was \$0.86 for the three months ended March 31, 2025.

A reconciliation for non-GAAP adjusted net income and adjusted earnings per share to GAAP net income and earnings (loss) per share follows:

	<b>Three Months Ended March 31,</b>	
	2025	2024
(In Thousands, Except Per Share Data)		
Net (loss) income	\$ (13,906)	\$ 5,634
Merger related expenses net of tax	13,753	-
Merger related provision for credit losses, net of tax (1)	9,463	-
Adjusted net income (Non-GAAP)	\$ 9,310	\$ 5,634
Weighted average number of shares	10,676,068	7,552,680
Diluted average shares outstanding	10,740,077	7,600,016
Basic earnings (loss) per share	\$ (1.30)	\$ 0.75
Diluted earnings (loss) per share	\$ (1.29)	\$ 0.74
Adjusted basic earnings per share (Non-GAAP)	\$ 0.87	\$ 0.75
Adjusted diluted earnings per share (Non-GAAP)	\$ 0.86	\$ 0.74

(1) Merger related provision for credit losses represents the calculated credit loss on Non-PCD loans acquired during the Merger on March 1, 2025.

As of March 31, 2025, total assets were \$4.3 billion, an increase of \$1.6 billion compared to March 31, 2024. The growth is primarily attributed to the Merger. This growth was offset by a \$28.5 million reduction in securities on March 31, 2025 compared to March 31, 2024, as ChoiceOne chose to restructure much of the acquired security portfolio purchased in the Merger, and reduce high cost wholesale funding. ChoiceOne has actively managed its balance sheet to support organic loan growth with a loan to deposit ratio of 80.21% at March 31, 2025.

Core loans, which exclude held for sale loans and loans to other financial institutions, grew organically by \$40.1 million or 10.6% on an annualized basis during the first quarter of 2025 and \$157.3 million or 11.3% during the twelve months ended March 31, 2025. Core loans grew by \$1.4 billion through acquisition for the three months ended March 31, 2025. Loan interest income increased \$11.9 million in the first quarter of 2025 compared to the same period in 2024. Interest income for the three months ended March 31, 2025 includes \$2.8 million of purchased loan interest accretion income related to the Merger. Loans to other financial institutions decreased by \$27.6 million from March 31, 2024 to March 31, 2025. These loans consist of a warehouse line of credit used to facilitate mortgage loan originations, with interest rates that fluctuate in line with the national mortgage market. This decline is attributed to ChoiceOne's strategic shift towards a higher percentage of internally driven originations.



Deposits, excluding brokered deposits, increased by \$1.4 billion as of March 31, 2025, compared to the same period in 2024. This growth was primarily driven by the addition of \$1.4 billion in deposits from the Merger, complemented by \$48.7 million in organic growth. Not including the impact of the Merger, deposits, excluding brokered deposits, grew organically by \$15.0 million in the first quarter of 2025. ChoiceOne continues to be proactive in managing its liquidity position by using brokered deposits and FHLB advances to ensure ample liquidity. At March 31, 2025, total available borrowing capacity secured by pledged assets was \$945.3 million. ChoiceOne can increase its capacity by utilizing unsecured federal fund lines and pledging additional assets. Uninsured deposits totaled \$1.2 billion or 33.9% of deposits at March 31, 2025.

ChoiceOne uses interest rate swaps to manage interest rate exposure to certain fixed rate assets and variable rate liabilities. On February 6, 2025, ChoiceOne sold \$50 million of pay fixed receive floating interest rate swaps. The sold swaps had a fixed rate of 2.75% and a floating rate that will be determined periodically over the life of the swaps. This transaction resulted in a gain of approximately \$3.6 million, which will be recognized through interest expense over the 7 years remaining on the life of the swap. On March 31, 2025, ChoiceOne held pay-fixed interest rate swaps with a total notional value of \$351.0 million, a weighted average coupon of 3.12%, a fair value of \$11.7 million and an average remaining contract length of 7.1 years. These derivative instruments change in value as rates rise or fall inverse to the change in unrealized losses of the available for sale portfolio due to rates. Settlements from swaps amounted to \$1.3 million for the first quarter of 2025 compared to \$1.5 million for the fourth quarter of 2024. Due in part to the pay fixed interest rate swaps in place, our balance sheet is asset sensitive. In addition to the pay-fixed interest rate swaps, ChoiceOne also employs back-to-back swaps on select commercial loans, with the impact reflected in interest income.

ChoiceOne's cost of deposits to average total deposits has decreased since peaking in the first quarter of 2024, driven by positive cash flow from pay-fixed interest rate swaps hedged against deposits and reduced deposit expenses. Additionally, the Federal Reserve's 100 basis point reduction in the federal funds rate since September 2024 has contributed to this decline. As a result, the cost of deposits to average total deposits was an annualized 1.59% in the first quarter of 2025, down from 1.65% in the first quarter of 2024. If rates continue to decline, we anticipate further reductions in deposit costs, although these will be tempered by decreased cash flows from pay-fixed interest rate swaps.

Interest expense on borrowings for the three months ended March 31, 2025, declined by \$332,000 compared to the same period in the prior year, due to a decrease in average balances borrowed. During the first quarter of 2025, ChoiceOne liquidated the majority of the acquired securities due to the Merger to pay down higher cost FHLB advances. As of March 31, 2025, the total borrowed balance at the FHLB was \$130.0 million at a weighted average fixed rate of 4.03%, with the earliest maturity in April 2025. The total cost of funds declined in the first quarter of 2025, with an annualized 1.86% compared to 2.0% in the first quarter of 2024.

The annualized return on average assets and annualized return on average shareholders' equity was (1.68)% and (18.39)%, respectively, for the first quarter of 2025, compared to an annualized 0.86% and 11.26%, respectively, for the same period in 2024.

#### Dividends

Cash dividends of \$4.2 million or \$0.28 per share were declared in the first quarter of 2025, compared to \$2.0 million or \$0.27 per share in the first quarter of 2024. The cash dividend payout percentage was (30.1)% for the first three months of 2025, compared to 36.8% in the same period in the prior year.

#### Interest Income and Expense

Tables 1 and 2 on the following pages provide information regarding interest income and expense for the three months ended March 31, 2025 and 2024. Table 1 documents ChoiceOne's average balances and interest income and expense, as well as the average rates earned or paid on assets and liabilities. Table 2 documents the effect on interest income and expense of changes in volume (average balance) and interest rates. These tables are referred to in the discussion of interest income, interest expense and net interest income.

**Table 1 – Average Balances and Tax-Equivalent Interest Rates**

(Dollars in thousands)	Three Months Ended March 31,					
	2025			2024		
	Average Balance	Interest	Rate	Average Balance	Interest	Rate
<b>Assets:</b>						
Loans (1)(3)(4)(5)	\$ 2,019,643	\$ 32,666	6.56 %	\$ 1,412,569	\$ 20,807	5.92 %
Taxable securities (2)	689,891	4,730	2.78	710,508	5,348	3.03
Nontaxable securities (1)	288,878	1,783	2.50	291,632	1,788	2.47
Other	115,091	1,179	4.15	64,064	886	5.56
Interest-earning assets	3,113,503	40,358	5.26	2,478,773	28,829	4.68
Noninterest-earning assets	206,088			142,236		
Total assets	<u>\$ 3,319,591</u>			<u>\$ 2,621,009</u>		
<b>Liabilities and Shareholders' Equity:</b>						
Interest-bearing demand deposits	\$ 1,111,903	\$ 4,420	1.61 %	\$ 883,372	\$ 3,577	1.63 %
Savings deposits	431,192	883	0.83	338,497	641	0.76
Certificates of deposit	487,448	4,950	4.12	377,640	4,115	4.38
Brokered deposit	45,553	463	4.12	34,708	444	5.14
Borrowings	193,961	2,191	4.58	214,835	2,523	4.72
Subordinated debentures	40,182	518	5.23	35,535	412	4.67
Other	20,553	223	4.41	19,699	246	5.02
Interest-bearing liabilities	2,330,792	13,648	2.37	1,904,286	11,958	2.53
Demand deposits	651,424			506,175		
Other noninterest-bearing liabilities	34,838			10,371		
Total liabilities	3,017,054			2,420,832		
Shareholders' equity	302,537			200,177		
Total liabilities and shareholders' equity	<u>\$ 3,319,591</u>			<u>\$ 2,621,009</u>		
<b>Net interest income (tax-equivalent basis) (Non-GAAP) (1)</b>						
		<u>\$ 26,710</u>			<u>\$ 16,871</u>	
<b>Net interest margin (tax-equivalent basis) (Non-GAAP) (1)</b>						
			<u>3.48 %</u>			<u>2.74 %</u>
<b>Reconciliation to Reported Net Interest Income</b>						
Net interest income (tax-equivalent basis) (Non-GAAP) (1)	\$ 26,710			\$ 16,871		
Adjustment for taxable equivalent interest	(399)			(397)		
Net interest income (GAAP)	<u>\$ 26,311</u>			<u>\$ 16,474</u>		
Net interest margin (GAAP)			<u>3.43 %</u>			<u>2.67 %</u>
(1) Adjusted to a fully tax-equivalent basis to facilitate comparison to the taxable interest-earning assets. The adjustment uses an incremental tax rate of 21%. The presentation of these measures on a tax-equivalent basis is not in accordance with GAAP, but is customary in the banking industry. These non-GAAP measures ensure comparability with respect to both taxable and tax-exempt loans and securities.						
(2) Taxable securities include dividend income from Federal Home Loan Bank and Federal Reserve Bank stock.						
(3) Loans include both loans to other financial institutions and loans held for sale.						
(4) Non-accruing loan balances are included in the balances of average loans. Non-accruing loan average balances were \$13.6 million and \$1.7 million in the first quarter of 2025 and 2024, respectively.						
(5) Interest on loans included net origination fees and accretion income. Accretion income was \$2.9 million and \$390,000 in the first quarter of 2025 and 2024, respectively.						

**Table 2 – Changes in Tax-Equivalent Net Interest Income**

(Dollars in thousands)	Three Months Ended March 31, 2025 Over 2024		
	Total	Volume	Rate
Increase (decrease) in interest income (1)			
Loans (2)	\$ 11,859	\$ 9,491	\$ 2,368
Taxable securities	(618)	(162)	(456)
Nontaxable securities (2)	(5)	(85)	80
Other	293	1,592	(1,299)
Net change in interest income	11,529	10,836	693
Increase (decrease) in interest expense (1)			
Interest-bearing demand deposits	843	1,092	(249)
Savings deposits	242	182	60
Certificates of deposit	835	2,344	(1,509)
Brokered deposit	19	444	(425)
Borrowings	(332)	(253)	(79)
Subordinated debentures	106	55	51
Other	(23)	57	(80)
Net change in interest expense	1,690	3,921	(2,231)
Net change in tax-equivalent net interest income	\$ 9,839	\$ 6,915	\$ 2,924

- (1) The volume variance is computed as the change in volume (average balance) multiplied by the previous year's interest rate. The rate variance is computed as the change in interest rate multiplied by the previous year's volume (average balance). The change in interest due to both volume and rate has been allocated to the volume and rate changes in proportion to the relationship of the absolute dollar amounts of the change in each.
- (2) Interest on nontaxable investment securities and loans has been adjusted to a fully tax-equivalent basis using an incremental tax rate of 21%.

### Net Interest Income

Tax-equivalent net interest income increased \$9.8 million in the three months ended March 31, 2025, compared to the same period in 2024. The primary factor contributing to the increase in interest income was loan growth, both organically and due to the Merger, at higher interest rates, the impact of accretion from the Merger, and the impact of fixed rate swaps (see note 8). Tax equivalent net interest margin increased 74 basis points in the three months ended March 31, 2025, compared to the same period in 2024. GAAP based net interest margin increased 75 basis points in the three months ended March 31, 2025, compared to the same period in 2024.

The following table presents the annualized cost of deposits and the annualized cost of funds for the three months ended March 31, 2025 and 2024.

	Three Months Ended March 31,	
	2025	2024
Cost of deposits	1.59%	1.65%
Cost of funds	1.86%	2.00%

ChoiceOne has experienced loan growth, leading to an increase in interest income from loans of \$11.9 million in the three months ended March 31, 2025, compared to the same period in 2024. In the three months ended March 31, 2025, average loans increased by \$607.1 million, driven by both organic growth and the impact of the Merger, compared to the same period in 2024. In addition, the average rate earned on loans increased 64 basis points in the three months ended March 31, 2025, compared to the same period in 2024. Interest income for the three months ended March 31, 2025 includes \$2.8 million of interest income accretion due to purchased loans related to the Merger. Interest income accretion from the Merger increased GAAP net interest margin by 37 basis points for the first quarter of 2025.

The average balance of total securities decreased \$23.4 million in the three months ended March 31, 2025, compared to the same period in 2024. The decrease is due to paydowns and a decline in the fair value of available for sale securities. There was very little impact on securities due to the Merger as ChoiceOne chose to sell much of the acquired security portfolio purchased in the Merger. The average rate earned on securities declined 19 basis points for the three months ended March 31, 2025, compared to the same period in the prior year. Interest income on securities declined by \$623,000 in the three months ended March 31, 2025, compared to the same period in 2024. Interest income and rate on securities were impacted by a decline in cash settlements from fixed rate interest rate swaps which are hedged against securities. The cash settlements have declined by \$717,000 in the first quarter of 2025 compared to the first quarter of 2024 as market rates have declined since the prior year period.

Interest expense increased \$1.7 million in the three months ended March 31, 2025, compared to the same period in 2024. Interest paid on interest-bearing demand deposits and savings deposits increased by \$1.1 million in the three months ended March 31, 2025, compared to the same period in 2024. This increase was driven by a \$321.2 million increase in the average balance of these deposits, attributed to both organic growth and the Merger. This was partially offset by a 1 basis point decline in the average rate paid on these deposits during the same period. The increase in the average balance of certificates of deposit of \$109.8 million in the three months ended March 31, 2025, compared to the same period in 2024, offset by a 26 basis point reduction in the rate paid on certificates of deposits in the three months ended March 31, 2025, compared to the same period in 2024, led to an increase in interest expense of \$835,000 during the first quarter 2025.

The average balance of borrowings declined by \$20.9 million in the three months ended March 31, 2025, compared to the same period in 2024. In addition, the rate paid on borrowings declined by 14 basis points in the three months ended March 31, 2025, compared to the same period in 2024. The decline in balance and rate led to a decline in interest expense of \$332,000 in the three months ended March 31, 2025, compared to the same period in 2024.

In September 2021, ChoiceOne completed a private placement of \$32.5 million in aggregate principal amount of 3.25% fixed-to-floating rate subordinated notes due 2031. In addition, ChoiceOne holds certain subordinated debentures issued in connection with a trust preferred securities that were obtained as part of the merger with Community Shores and the Merger with Fentura. The average balance of subordinated debentures increased \$4.6 million and 56 basis points in the first quarter of 2025, compared to the same period in the prior year due to the additional subordinated debenture obtained in the Merger. The increase led to additional expense of \$106,000 for the first quarter of 2025 compared to the first quarter of 2024.

### Provision and Allowance for Credit Losses

The ACL consists of general and specific components. The general component covers loans collectively evaluated for credit loss and is based on peer historical loss experience adjusted for current and forecasted factors. Management's adjustment for current and forecasted factors is based on trends in delinquencies, trends in charge-offs and recoveries, trends in the volume of loans, changes in underwriting standards, trends in loan review findings, the experience and ability of lending staff, and a reasonable and supportable economic forecast described further below.

The determination of our loss factors is based, in part, upon benchmark peer loss history adjusted for qualitative factors that, in management's judgment, affect the collectability of the portfolio as of the analysis date. We have updated our lookback period for benchmark peer net charge-off history to exclude the years 2020 and 2021 due to the COVID-19 pandemic. Our revised lookback period now spans from January 1, 2004, to December 31, 2019, and January 1, 2022, to December 31, 2024.

The provision for credit losses on loans was \$13.1 million in the first quarter of 2025, due primarily to \$12.0 million of expense for the acquisition of \$1.3 billion of non-PCD loans in the Merger. Additional expense was recorded to account for organic growth, changes in qualitative factors, and forecast data used in the allowance for credit losses calculation. The allowance for credit losses also increased by \$4.9 million as the credit mark on PCD loans migrated into the reserve in accordance with CECL guidelines.

Nonperforming assets, which includes Other Real Estate Owned ("OREO") but excludes performing troubled loan modifications ("TLM"), increased by \$15.1 million to \$19.3 million at March 31, 2025, compared to the balance on December 31, 2024, largely due to \$12.9 million in non-accrual loans and \$1.7 million of OREO acquired in the Merger. All non-accrual loans from the Merger are classified as PCD loans. The ACL was 1.18% of total loans, excluding loans held for sale, at March 31, 2025, compared to 1.07% as of December 31, 2024. The liability for expected credit losses on unfunded loans and other commitments was \$1.6 million as of March 31, 2025, compared to \$1.5 million as of December 31, 2024.

Charge-offs and recoveries for respective loan categories for the three months ended March 31, 2025 and 2024 were as follows:

(Dollars in thousands)

	2025		2024	
	Charge-offs	Recoveries	Charge-offs	Recoveries
Commercial and industrial	\$ -	\$ 2	\$ 1	\$ 9
Consumer	132	60	123	60
Residential real estate	22	21	-	4
	<u>\$ 154</u>	<u>\$ 83</u>	<u>\$ 124</u>	<u>\$ 73</u>

Net charge-offs were \$72,000 during the first three months of 2025, compared to net charge-offs of \$51,000 during the same period in 2024. Net charge-offs for checking accounts during the first three months of 2025 were \$51,000 compared to \$31,000 for the same period in the prior year. Annualized net charge-offs as a percentage of average loans were 0.01% for both the first quarter of 2025 and 2024.

Asset quality continues to remain strong, with annualized net loan charge-offs to average loans of 0.01% and nonperforming loans to total loans (excluding loans held for sale) of 0.65% as of March 31, 2025. Notably, 0.44% of the nonperforming loans to total loans (excluding loans held for sale) is attributed to PCD loans acquired through the Merger which have a corresponding PCD credit reserve.

### Noninterest Income

Noninterest income increased by \$871,000 for the three months ended March 31, 2025, compared to the same period in the prior year. This increase was partly driven by higher mortgage servicing rights income, which rose due to the Merger, as Fentura had a substantial portfolio of mortgages held and serviced. Additionally, we recorded income from changes in the market value of a CRA-eligible mutual fund investment, which appreciated during the quarter. Trust income also increased as a result of higher estate settlement fees and customers obtained from the Merger. However, this was offset by a decline in earnings on life insurance policies, as the prior year included death benefits of \$196,000 and \$504,000 received in both the first and fourth quarters of 2024 respectively.

### Noninterest Expense

Noninterest expense increased by \$22.0 million for the three months ended March 31, 2025, compared to the same period in 2024. This increase was largely due to merger-related expenses of \$17.2 million during the three months ended March 31, 2025, compared to \$0 in the same period in the prior year. The remainder of the increase was primarily due to the additional operating expenses as a result of the Merger with Fentura on March 1, 2025. Management is committed to managing costs strategically while making prudent investments to sustain our competitive edge and provide exceptional value to our customers, shareholders, and communities.

#### Income Tax Expense

Income tax benefit was \$3.7 million in the three months ended March 31, 2025, compared to expense of \$1.2 million for the same period in 2024. The effective tax rate was 21.0% for the three months ended March 31, 2025, compared to 17.6% for the same period in 2024. During the three months ended March 31, 2025 nondeductible merger expenses increased \$777,000 compared to the same period in 2024.

## FINANCIAL CONDITION

At March 31, 2025, ChoiceOne had consolidated total assets of \$4.3 billion, net loans of \$2.9 billion, total deposits (excluding brokered deposits) of \$3.6 billion and total shareholders' equity of \$426.9 million.

### Securities

ChoiceOne acquired \$90.7 million in securities as part of the Merger; however, management chose to sell \$78.9 million in securities to pay down higher cost wholesale funding. Consequently, the net increase in securities from the Merger was \$11.8 million.

On March 31, 2025, total available-for-sale securities amounted to \$480.7 million, up from \$479.1 million on December 31, 2024. This increase was driven by \$6.7 million in securities acquired through the Merger, which was partially offset by principal repayments, calls, and maturities. The unrealized loss on securities available for sale increased by \$4.5 million to \$65.6 million in the first three months of 2025 primarily due to an increase in spreads on tax exempt municipal bonds.

Total held to maturity securities on March 31, 2025 were \$394.4 million compared to \$394.5 million on December 31, 2024. ChoiceOne's held to maturity securities declined during the first three months of 2025 due to \$4.1 million of principal repayments, calls and maturities, which was offset by \$3.5 million in securities acquired through the Merger and purchases during the first quarter of 2025.

At March 31, 2025, ChoiceOne had \$116.5 million in unrealized losses on its investment securities, including \$65.6 million in unrealized losses on available for sale securities, \$50.2 million in unrealized losses on held to maturity securities, and \$596,000 in unrealized losses on equity securities. Unrealized losses on corporate and municipal bonds have not been recognized into income because management believes the issuers are of high credit quality, and management does not intend to sell prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The issuers continue to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bonds approach maturity.

ChoiceOne utilizes interest rate derivatives as part of its asset liability management strategy to help manage its interest rate risk position. In order to hedge the risk of rising rates and unrealized losses on securities resulting from the rising rates, ChoiceOne currently holds pay fixed, receive variable interest rate swaps with a total notional value of \$351.0 million. These derivative instruments change in value as rates rise or fall inverse to the change in unrealized losses of the available for sale portfolio. Refer to Note 8 - Derivatives and Hedging Activities of the consolidated financial statements for more discussion on ChoiceOne's derivative position.

Equity securities included a money market preferred security ("MMP") of \$1.0 million and common stock of \$8.3 million as of March 31, 2025. As of December 31, 2024, equity securities included a MMP of \$1.0 million and common stock of \$6.8 million.

Per U.S. generally accepted accounting principles, unrealized gains or losses on securities available for sale are reflected on the balance sheet in accumulated other comprehensive income (loss), while unrealized gains or losses on securities held to maturity are not reflected on the balance sheet.

### Loans

The company's loan portfolio by call report code was as follows:

(Dollars in thousands)	Call Report Codes	March 31, 2025		December 31, 2024	
		Balance	%	Balance	%
Construction & Development Loans	1A2	\$ 71,732	2.5%	\$ 61,740	4.0%
1-4 Family Loans	1A1, 1C1, 1C2A, 1C2B, 9A	817,013	27.9%	380,139	24.6%
Multifamily Loans	1D	174,399	6.0%	83,766	5.4%
Owner Occupied CRE Loans	1E1	522,598	17.9%	325,966	21.1%
Non-Owner Occupied CRE Loans	1E2	913,264	31.2%	387,102	25.0%
Commercial & Industrial Loans	2A2, 4A	332,370	11.3%	216,376	14.0%
Farm & Agriculture Loans	1B, 3	48,231	1.6%	48,246	3.1%
Consumer & Other Loans	6B, 6C, 6D, 8, 9b2, 10B	45,348	1.6%	42,305	2.7%
<b>Total Loans</b>		<b>\$ 2,924,955</b>		<b>\$ 1,545,640</b>	

Average loan balances increased to \$2.02 billion in the first quarter of 2025 compared to \$1.41 billion in the first quarter of 2024. Core loans, which exclude held for sale loans and loans to other financial institutions, grew organically by \$40.1 million or 10.6% on an annualized basis during the first quarter of 2025 and \$157.3 million or 11.3% during the twelve months ended March 31, 2025. Core loans grew by \$1.4 billion through acquisition for the three months ended March 31, 2025. Loan interest income increased \$11.9 million in the first quarter of 2025 compared to the same period in 2024.

Interest income for the three months ended March 31, 2025 includes \$2.8 million of purchased loan interest accretion income related to the Merger. Estimated accretion for the remainder of 2025 using the effective interest method of amortization is \$7.5 million; however, unexpected accretion income from purchased loans will be dependent on prepayment speeds and other factors. The remaining yield mark on acquired loans from the Merger totaled \$57.0 million as of March 31, 2025.

During the first three months of 2025 and 2024, ChoiceOne recorded accretion income related to acquired loans from mergers with County Bank Corp. and Community Shores in the amount of \$127,000 and \$390,000, respectively. Remaining credit and yield mark on acquired loans from the mergers with County Bank Corp. and Community Shores will accrete into income as the acquired loans mature. The remaining yield mark on acquired loans from the mergers with County Bank Corp. and Community Shores totaled \$1.2 million as of March 31, 2025.

Loans to other financial institutions decreased by \$27.6 million from March 31, 2024 to March 31, 2025. These loans consist of a warehouse line of credit used to facilitate mortgage loan originations, with interest rates that fluctuate in line with the national mortgage market. This decline is attributed to ChoiceOne's strategic shift towards a higher percentage of internally driven originations.

### Goodwill

Goodwill is not amortized but is evaluated annually for impairment and on an interim basis if events or changes in circumstances indicate that goodwill might be impaired. The goodwill impairment test is performed by comparing the fair value of a reporting unit with its carrying amount, and an impairment charge would be recognized for any amount by which the carrying amount exceeds the reporting unit's fair value. Accounting pronouncements allow a company to first perform a qualitative assessment for goodwill prior to a quantitative assessment (Step 1 assessment). If the results of the qualitative assessment indicate that it is more likely than not that goodwill is impaired, then a quantitative assessment must be performed. If not, there is no further assessment required. The Company acquired Valley Ridge Financial Corp. in 2006, County Bank Corp in 2019, Community Shores in 2020, and Fentura in 2025, which resulted in the recognition of goodwill of \$13.7 million, \$38.9 million, \$7.3 million and \$66.6 million, respectively.

ChoiceOne engaged a third party valuation firm to assist in performing a quantitative analysis of goodwill as of June 30, 2024 ("the measurement date"). In deriving the fair value of the reporting unit (the Bank), the third-party firm assessed general economic conditions and outlook; industry and market considerations and outlook; the impact of recent events to financial performance; the market price of ChoiceOne's common stock and other relevant events. In addition, the valuation relied on financial projections through 2029 and growth rates prepared by management. Based on the valuation prepared, it was determined that ChoiceOne's estimated fair value of the reporting unit at the measurement date was greater than its book value and impairment of goodwill was not required. No material changes and no triggering events have occurred that indicated impairment from the measurement date through March 31, 2025.



## Deposits and Borrowings

Deposits, excluding brokered deposits, increased by \$1.4 billion as of March 31, 2025, compared to the same period in 2024. This growth was primarily driven by the addition of \$1.4 billion in deposits from the Merger, complemented by \$48.7 million in organic growth. Not including the impact of the Merger, deposits, excluding brokered deposits, grew organically by \$15.0 million in the first quarter of 2025. ChoiceOne continues to be proactive in managing its liquidity position by using brokered deposits and FHLB advances to ensure ample liquidity. At March 31, 2025, total available borrowing capacity secured by pledged assets was \$945.3 million. ChoiceOne can increase its borrowing capacity by utilizing unsecured federal fund lines and pledging additional assets.

ChoiceOne recognized a core deposit intangible of \$31.0 million related to the Merger. This intangible asset, valued at 2.78% of Fentura's core deposits, is being amortized over a period of 10 years using the sum-of-years-digits method. This approach reflects the anticipated pattern of economic benefits derived from the core deposits. At March 31, 2025, ChoiceOne recognized core deposit intangible expense of \$470,000 for the month of March 2025, from the Merger.

Uninsured deposits totaled \$1.2 billion or 33.9% of deposits on March 31, 2025 compared to \$792.3 million, or 37.0% of total deposits at December 31, 2024. At March 31, 2025, total available borrowing capacity from all sources was \$945.3 million.

ChoiceOne's cost of deposits to average total deposits has decreased since peaking in the first quarter of 2024, driven by positive cash flow from pay-fixed interest rate swaps hedged against deposits and reduced deposit expenses. Additionally, the Federal Reserve's 100 basis point reduction in the federal funds rate since September 2024 has contributed to this decline. As a result, the cost of deposits to average total deposits was an annualized 1.59% in the first quarter of 2025, down from 1.65% in the first quarter of 2024. If rates continue to decline, we anticipate further reductions in deposit costs, although these will be tempered by decreased cash flows from pay-fixed interest rate swaps.

As of March 31, 2025, the total borrowed balance at the FHLB was \$130.0 million at a weighted average fixed rate of 4.03%, with the earliest maturity in April 2025. ChoiceOne also has a \$7.7 million line of credit at the holding company with a rate of 7.50%.

In September 2021, ChoiceOne completed a private placement of \$32.5 million in aggregate principal amount of 3.25% fixed-to-floating rate subordinated notes due 2031. ChoiceOne also holds \$15.9 million in subordinated debentures that were obtained in the merger with Community Shores and the Merger with Fentura, offset by the merger mark-to-market adjustment.

## Shareholders' Equity

As of March 31, 2025, shareholders' equity was \$426.9 million, a significant increase from \$206.8 million on March 31, 2024. This growth was primarily driven by the Merger, in which ChoiceOne issued 6,070,836 shares of common stock on March 1, 2025, valued at \$193.0 million. Additionally, the sale of 1,380,000 shares of common stock at \$25.00 per share on July 26, 2024, generated \$34.5 million in aggregate gross proceeds (before deducting discounts and estimated offering expenses). However, this was slightly offset by a minor decline in retained earnings. ChoiceOne Bank continues to be "well-capitalized," with a total risk-based capital ratio of 11.9% as of March 31, 2025, compared to 12.6% on March 31, 2024. The decrease in capital ratios was primarily due to the impact of the Merger.

## Regulatory Capital Requirements

Following is information regarding compliance of ChoiceOne and ChoiceOne Bank with regulatory capital requirements:

(Dollars in thousands)	Actual		Minimum Required for Capital Adequacy Purposes		Minimum Required to be Well Capitalized Under Prompt Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>March 31, 2025</b>						
<b><u>ChoiceOne Financial Services Inc.</u></b>						
Total capital (to risk weighted assets)	\$ 394,506	12.0 %	\$ 263,140	8.0 %	N/A	N/A
Common equity Tier 1 capital (to risk weighted assets)	309,507	9.4	148,016	4.5	N/A	N/A
Tier 1 capital (to risk weighted assets)	328,007	10.0	197,355	6.0	N/A	N/A
Tier 1 capital (to average assets)	328,007	10.4	126,379	4.0	N/A	N/A
<b>ChoiceOne Bank</b>						
Total capital (to risk weighted assets)	\$ 392,114	11.9 %	\$ 262,822	8.0 %	\$ 328,528	10.0 %
Common equity Tier 1 capital (to risk weighted assets)	357,911	10.9	147,838	4.5	213,543	6.5
Tier 1 capital (to risk weighted assets)	357,911	10.9	197,117	6.0	262,822	8.0
Tier 1 capital (to average assets)	357,911	11.3	126,261	4.0	157,826	5.0
<b>December 31, 2024</b>						
<b><u>ChoiceOne Financial Services Inc.</u></b>						
Total capital (to risk weighted assets)	\$ 287,927	14.5 %	\$ 158,391	8.0 %	N/A	N/A
Common equity Tier 1 capital (to risk weighted assets)	237,152	12.0	89,095	4.5	N/A	N/A
Tier 1 capital (to risk weighted assets)	241,652	12.2	118,793	6.0	N/A	N/A
Tier 1 capital (to average assets)	241,652	9.1	106,485	4.0	N/A	N/A
<b>ChoiceOne Bank</b>						
Total capital (to risk weighted assets)	\$ 250,494	12.7 %	\$ 158,197	8.0 %	\$ 197,746	10.0 %
Common equity Tier 1 capital (to risk weighted assets)	236,479	12.0	88,986	4.5	128,535	6.5
Tier 1 capital (to risk weighted assets)	236,479	12.0	118,647	6.0	158,197	8.0
Tier 1 capital (to average assets)	236,479	8.9	106,422	4.0	133,028	5.0

Management reviews the capital levels of ChoiceOne and ChoiceOne Bank on a regular basis. The Board of Directors and management believe that the capital levels as of March 31, 2025 are adequate for the foreseeable future. The Board of Directors' determination of appropriate cash dividends for future periods will be based on, among other things, market conditions and ChoiceOne's requirements for cash and capital.

## Liquidity

Net cash used in operating activities was \$6.5 million for the three months ended March 31, 2025 compared to \$15.3 million net cash provided in the same period in 2024. The change was due to the net loss of \$13.9 million in the first quarter of 2025 compared to net income of \$5.6 million in the same period in 2024 and a decline in other liabilities of \$8.6 million in the three months ended March 31, 2025 compared to an increase of \$9.5 million in the same period in 2024. The change was partially offset by provision for credit losses of \$13.1 million in the three months ended March 31, 2025 compared to \$0 in the same period in 2024. Net cash provided by investing activities was \$257.0 million for the three months ended March 31, 2025 compared to \$7.6 million net cash used in the same period in 2024. The increase is due to the sale of \$78.9 million of securities acquired in the Merger with Fentura. ChoiceOne also received \$173.1 million of cash from The State Bank as part of the Merger. Net cash provided by financing activities was \$207.8 million for the three months ended March 31, 2025, compared to \$71.7 million provided in the same period in the prior year. ChoiceOne decreased borrowing by \$207.5 million in the first three months of 2025 compared to an increase of \$10.0 million in the same period during the prior year. ChoiceOne also had \$5.8 million in deposit growth, which includes brokered deposits of \$30.8 million, in the first three months of 2025 compared to an increase of \$63.8 million in the same period in 2024.

ChoiceOne's market risk exposure occurs in the form of interest rate risk and liquidity risk. ChoiceOne's business is transacted in U.S. dollars with no foreign exchange risk exposure. Agricultural loans comprise a relatively small portion of ChoiceOne's total assets. Management believes that ChoiceOne's exposure to changes in commodity prices is insignificant.

Liquidity risk deals with ChoiceOne's ability to meet its cash flow requirements. These requirements include depositors desiring to withdraw funds and borrowers seeking credit. Longer-term liquidity needs may be met through core deposit growth, maturities of and cash flows from investment securities, normal loan repayments, advances from the FHLB and the Federal Reserve Bank, brokered certificates of deposit, and income retention. ChoiceOne had \$130.0 million in outstanding borrowings from the FHLB at a weighted average fixed rate of 4.03%, with the earliest maturity in April 2025 as of March 31, 2025. ChoiceOne had \$7.7 million in outstanding borrowings at the holding company from a line of credit at BMO as of March 31, 2025. The acceptance of brokered certificates of deposit is not limited as long as the Bank is categorized as "well capitalized" under regulatory guidelines. At March 31, 2025, total available borrowing capacity from the FHLB and the Federal Reserve Bank was \$945.3 million.

ChoiceOne continues to review its liquidity management and has taken steps in an effort to ensure adequacy. These steps include limiting bond purchases in the first three months of 2025, pledging securities to the FHLB in order to increase borrowing capacity and using alternative funding sources such as brokered deposits.

## Item 4. Controls and Procedures.

An evaluation was performed under the supervision and with the participation of ChoiceOne's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of ChoiceOne's disclosure controls and procedures as of March 31, 2025. Based on and as of the time of that evaluation, ChoiceOne's management, including the Chief Executive Officer and Chief Financial Officer, concluded that ChoiceOne's disclosure controls and procedures were effective as of the end of the period covered by this report to ensure that material information required to be disclosed in the reports that ChoiceOne files or submits under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that ChoiceOne files or submits under the Exchange Act is accumulated and communicated to management, including ChoiceOne's principal executive and principal financial officers, as appropriate to allow for timely decisions regarding required disclosure.

There was no change in ChoiceOne's internal control over financial reporting that occurred during the three months ended March 31, 2025 that has materially affected, or that is reasonably likely to materially affect, ChoiceOne's internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings.

There are no material pending legal proceedings to which ChoiceOne or ChoiceOne Bank is a party or to which any of their properties are subject, except for proceedings that arose in the ordinary course of business.

### Item 1A. Risk Factors.

Information concerning risk factors is contained in the discussion in Item 1A, “Risk Factors,” in ChoiceOne’s Annual Report on Form 10-K for the year ended December 31, 2024.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

There were no unregistered sales of equity securities in the first quarter of 2025.

There were no issuer purchases of equity securities during the first quarter of 2025.

### Item 5. Other Information

None.

## Item 6. Exhibits

The following exhibits are filed or incorporated by reference as part of this report:

Exhibit Number	Document
<a href="#"><u>3.1</u></a>	<a href="#"><u>Restated Articles of Incorporation of ChoiceOne Financial Services, Inc. Previously filed as an exhibit to ChoiceOne's Form 10-K Annual Report for the year ended December 31, 2024. Here incorporated by reference.</u></a>
<a href="#"><u>3.2</u></a>	<a href="#"><u>Bylaws of ChoiceOne as currently in effect and any amendments thereto. Previously filed as an exhibit to ChoiceOne's Form 8-K filed April 21, 2021. Here incorporated by reference.</u></a>
<a href="#"><u>4.1</u></a>	<a href="#"><u>Advances, Pledge and Security Agreement between ChoiceOne Bank and the Federal Home Loan Bank of Indianapolis. Previously filed as an exhibit to ChoiceOne Financial Services, Inc.'s Form 10-K Annual Report for the year ended December 31, 2013. Here incorporated by reference.</u></a>
<a href="#"><u>4.2</u></a>	<a href="#"><u>Form of 3.25% Fixed-to-Floating Rate Subordinated Note due September 3, 2031. Previously filed as an exhibit to ChoiceOne Financial Services, Inc.'s Form 8-K filed September 7, 2021. Here incorporated by reference.</u></a>
<a href="#"><u>4.3</u></a>	<a href="#"><u>Form of 3.25% Fixed-to-Floating Rate Global Subordinated Note due September 3, 2031. Previously filed as an exhibit to ChoiceOne Financial Services, Inc.'s Form 8-K filed September 7, 2021. Here incorporated by reference.</u></a>
<a href="#"><u>31.1</u></a>	<a href="#"><u>Certification of Chief Executive Officer</u></a>
<a href="#"><u>31.2</u></a>	<a href="#"><u>Certification of Chief Financial Officer</u></a>
<a href="#"><u>32.1</u></a>	<a href="#"><u>Certification pursuant to 18 U.S.C. § 1350.</u></a>
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHOICEONE FINANCIAL SERVICES, INC.

Date: May 12, 2025

/s/ Kelly J. Potes

Kelly J. Potes

Chief Executive Officer

(Principal Executive Officer)

Date: May 12, 2025

/s/ Adom J. Greenland

Adom J. Greenland

Chief Financial Officer and Treasurer

(Principal Financial and Accounting Officer)

## CERTIFICATIONS

I, Kelly J. Potes, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ChoiceOne Financial Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: May 12, 2025

/s/ Kelly J. Potes

Kelly J. Potes  
Chief Executive Officer  
ChoiceOne Financial Services, Inc.

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## CERTIFICATIONS

I, Adom J. Greenland, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ChoiceOne Financial Services, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: May 12, 2025

/s/ Adom J. Greenland

Adom J. Greenland  
Chief Financial Officer and Treasurer  
ChoiceOne Financial Services, Inc.

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**CERTIFICATION**

Pursuant to 18 U.S.C. § 1350, each of the undersigned hereby certifies in his capacity as an officer of ChoiceOne Financial Services, Inc. (the “Company”) that the Quarterly Report of the Company on Form 10-Q for the quarter ended March 31, 2025 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition of the Company at the end of such period and the results of operations of the Company for such period.

Date: May 12, 2025

/s/ Kelly J. Potes

Kelly J. Potes

Chief Executive Officer

Date: May 12, 2025

/s/ Adom J. Greenland

Adom J. Greenland

Chief Financial Officer and Treasurer

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