Quarterly Report

For the quarter ended March 31, 2025

BNCCORP, INC.

(OTCQX: BNCC)

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BNCCORP, INC.
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Financial Statements

BNCCORP, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(In thousands, except share data)

	March 31, 2025	December 31, 2024
ASSETS	(unaudited)	
Cash and cash equivalents	$ 102,854	$ 100,815
Debt securities available for sale	127,824	129,522
Federal Reserve Bank and Federal Home Loan Bank stock	2,386	2,387
Loans held for investment	699,266	698,724
Allowance for credit losses	(9,311)	(9,223)
Net loans held for investment	689,955	689,501
Premises and equipment, net	10,624	10,893
Operating lease right of use asset	527	618
Accrued interest receivable	3,979	4,108
Other	28,426	28,837
Total assets	$ 966,575	$ 966,681
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Deposits:		
Non-interest-bearing	$ 169,503	$ 172,456
Interest-bearing –		
Savings, interest checking and money market	582,239	579,608
Time deposits	97,105	85,436
Total deposits	848,847	837,500
Guaranteed preferred beneficial interest in Company's subordinated debentures	15,464	15,464
Accrued interest payable	1,336	1,248
Accrued expenses	1,481	2,832
Operating lease liabilities	600	700
Dividends payable	-	14,304
Other	1,531	966
Total liabilities	869,259	873,014
STOCKHOLDERS' EQUITY:		
Common stock, $.01 par value – Authorized 11,300,000 shares; 3,668,653 issued; 3,523,875 and 3,521,375 shares outstanding	37	36
Capital surplus – common stock	27,103	26,904
Retained earnings	80,431	78,667
Treasury stock (144,778 and 142,278 shares, respectively)	(2,667)	(2,696)
Accumulated other comprehensive loss	(7,588)	(9,244)
Total stockholders' equity	97,316	93,667
Total liabilities and stockholders' equity	$ 966,575	$ 966,681

See accompanying notes to consolidated financial statements.

BNCCORP, INC. AND SUBSIDIARIES
Consolidated Statements of Income
For the Three Months Ended March 31,
(In thousands, except per share data, unaudited)

	2025	2024
INTEREST INCOME:		
Interest and fees on loans	$ 9,912	$ 9,215
Interest and dividends on investments		
Taxable	2,053	2,429
Dividends	35	33
Total interest income	12,000	11,677
INTEREST EXPENSE:		
Deposits	3,927	3,556
Subordinated debentures	222	262
Total interest expense	4,149	3,818
Net interest income	7,851	7,859
PROVISION FOR CREDIT LOSSES:	100	215
Net interest income after provision for credit losses	7,751	7,644
NON-INTEREST INCOME:		
Bank charges and service fees	668	793
Wealth management revenues	521	498
Gains on sales of loans, net	(1)	-
Other	196	247
Total non-interest income	1,384	1,538
NON-INTEREST EXPENSE:		
Salaries and employee benefits	4,088	4,043
Professional services	262	255
Data processing fees	823	845
Marketing and promotion	183	188
Occupancy	399	390
Regulatory costs	132	135
Depreciation and amortization	273	266
Office supplies and postage	93	96
Other	576	689
Total non-interest expense	6,829	6,907
Income before income taxes	2,306	2,275
Income tax expense	542	535
NET INCOME	$ 1,764	$ 1,740
Basic earnings per common share	$ 0.50	$ 0.49
Diluted earnings per common share	$ 0.50	$ 0.49

See accompanying notes to consolidated financial statements.

BNCCORP, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

For the Three Months Ended March 31,

(In thousands, unaudited)

	2025				2024			
NET INCOME			$	1,764			$	1,740
Unrealized gain (loss) on debt securities available for sale	$	2,196			$	(913)		
Reclassification adjustment for gains included in net income		-				-		
Other comprehensive income (loss) before tax		2,196				(913)		
Income tax effect related to items of other comprehensive income (loss)		(540)				225		
Other comprehensive income (loss)	$	1,656		1,656	$	(688)		(688)
TOTAL COMPREHENSIVE INCOME			$	3,420			$	1,052

See accompanying notes to consolidated financial statements.

BNCCORP, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity
For the Three Months Ended March 31,
(In thousands, except share data, unaudited)

	Common Stock		Capital Surplus			Accumulated Other	
	Shares Outstanding	Amount	Common Stock	Retained Earnings	Treasury Stock	Comprehensive Income (Loss), net	Total
BALANCE, December 31, 2023	3,569,210	$ 36	$ 26,572	$ 93,186	$ (1,528)	$ (9,848)	$ 108,418
Net income	-	-	-	1,740	-	-	1,740
Other comprehensive loss	-	-	-	-	-	(688)	(688)
Impact of share-based compensation	2,500	-	228	-	5	-	233
Common stock repurchased	(50,000)	-	-	-	(1,163)	-	(1,163)
Dividends declared on common stock ($2.25)	-	-	-	(8,143)	-	-	(8,143)
BALANCE, March 31, 2024	3,521,710	$ 36	$ 26,800	$ 86,783	$ (2,686)	$ (10,536)	$ 100,397
BALANCE, December 31, 2024	3,521,275	$ 36	$ 26,904	$ 78,667	$ (2,696)	$ (9,244)	$ 93,667
Net income	-	-	-	1,764	-	-	1,764
Other comprehensive income	-	-	-	-	-	1,656	1,656
Impact of share-based compensation	2,500	1	199	-	29	-	229
BALANCE, March 31, 2025	3,523,875	$ 37	$ 27,103	$ 80,431	$ (2,667)	$ (7,588)	$ 97,316

See accompanying notes to consolidated financial statements.

BNCCORP, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Three Months Ended March 31,
(In thousands, unaudited)

	2025	2024
OPERATING ACTIVITIES:		
Net income	$ 1,764	$ 1,740
Adjustments to reconcile net income to net cash provided by operating activities -		
Provision for credit losses	100	215
Depreciation	273	266
Amortization of right of use asset	91	83
Net amortization of premiums on debt securities and subordinated debentures	363	354
Share-based compensation	229	233
Change in accrued interest receivable and other assets, net	-	(272)
Change in other liabilities, net	(769)	(838)
Loss on sales of loans, net	1	-
Net cash provided by operating activities	2,052	1,781
INVESTING ACTIVITIES:		
Proceeds from maturities of debt securities	3,531	19,021
Purchases of Federal Reserve and Federal Home Loan Bank Stock	-	(15)
Sales of Federal Reserve and Federal Home Loan Bank Stock	1	-
Net increase in loans held for investment	(584)	(9,098)
Purchases of premises and equipment	(4)	(147)
Net cash provided by investing activities	2,944	9,761

See accompanying notes to consolidated financial statements.

BNCCORP, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows, continued
For the Three Months Ended March 31,
(In thousands, unaudited)

	2025	2024
FINANCING ACTIVITIES:		
Net increase (decrease) in deposits	$ 11,347	$ (31,092)
Repayments of Federal Home Loan Bank advances	(1)	-
Proceeds from Federal Home Loan Bank advances	1	-
Dividends paid on common stock	(14,304)	(8,143)
Common stock repurchase	-	(1,163)
Net cash used in financing activities	(2,957)	(40,398)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,039	(28,856)
CASH AND CASH EQUIVALENTS, beginning of period	100,815	102,454
CASH AND CASH EQUIVALENTS, end of period	$ 102,854	$ 73,598
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	$ 4,061	$ 3,588
Income taxes paid	$ -	$ -
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Additions to repossessed assets in the settlement of loans	$ 24	$ 38

See accompanying notes to consolidated financial statements.

NOTE 1 – Organization of Operations, BNCCORP, INC.

BNCCORP, INC. ("BNCCORP") is a registered bank holding company incorporated under the laws of Delaware. It is the parent company of BNC National Bank (the "Bank"). BNC National Bank operates community banking and wealth management businesses through 11 locations in North Dakota and Arizona.

NOTE 2 – Basis of Presentation and Accounting Policies

The accounting and reporting policies of BNCCORP and its subsidiaries (collectively, the "Company") conform to accounting principles generally accepted in the United States of America and general practices within the financial services industry. The consolidated financial statements included herein are for BNCCORP and its subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

The accompanying unaudited interim consolidated financial statements have been prepared under the presumption that users of the interim consolidated financial information have either read or have access to the audited consolidated financial statements of BNCCORP, INC. and subsidiaries for the year ended December 31, 2024. Accordingly, footnote disclosures which would substantially duplicate the disclosures contained in the December 31, 2024 audited consolidated financial statements have been omitted from these interim consolidated financial statements. These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2024, and the notes thereto.

The accompanying interim consolidated financial statements have been prepared by the Company in accordance with generally accepted accounting principles (GAAP) in the United States of America for interim financial information. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the reporting period. These estimates are based on information available to management at the time the estimates are made.

The unaudited consolidated financial statements as of March 31, 2025, include, in the opinion of management, all adjustments, consisting primarily of normal recurring adjustments, necessary for a fair presentation of the financial results for the respective interim periods and are not necessarily indicative of results of operations to be expected for the entire fiscal year.

RECENTLY ISSUED OR ADOPTED ACCOUNTING PRONOUNCEMENTS & INTERPRETATIONS

In December of 2023, the FASB issued Accounting Standards Update (ASU) 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. This standard establishes new income tax disclosure requirements in addition to modifying and eliminating certain existing requirements. Under the new guidance, entities must consistently categorize and provide greater disaggregation of information in the rate reconciliation. They must also further disaggregate income taxes paid. The ASU is effective for fiscal years beginning after December 15, 2024. The adoption of the ASU is not expected to have a material impact on the Company's financial statements.

NOTE 3 – Debt Securities Available for Sale

Debt securities have been classified in the consolidated balance sheets according to management's intent. The Company had no securities designated as trading or held-to-maturity in its portfolio at March 31, 2025, or December 31, 2024. The carrying amount of available-for-sale debt securities and their estimated fair values were as follows (in thousands):

	As of March 31, 2025			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. treasury securities	$ 10,936	$ -	$ (632)	$ 10,304
U.S. government sponsored entity mortgage-backed securities issued by FNMA/FHLMC	18,782	-	(2,920)	15,862
U.S. government agency small business administration pools guaranteed by SBA	8,560	-	(571)	7,989
Collateralized mortgage obligations guaranteed by GNMA	5,955	-	(160)	5,795
Collateralized mortgage obligations issued by FNMA/FHLMC	46,485	-	(4,024)	42,461
Commercial mortgage-backed securities issued by FHLMC	16,531	-	(886)	15,645
Other commercial mortgage-backed securities	24,071	-	(1,374)	22,697
State and municipal bonds	8,048	-	(977)	7,071
	$ 139,368	$ -	$ (11,544)	$ 127,824

	As of December 31, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. treasury securities	$ 10,929	$ -	$ (799)	$ 10,130
U.S. government sponsored entity mortgage-backed securities issued by FNMA/FHLMC	19,189	-	(3,193)	15,996
U.S. government agency small business administration pools guaranteed by SBA	9,534	-	(590)	8,944
Collateralized mortgage obligations guaranteed by GNMA	6,373	-	(236)	6,137
Collateralized mortgage obligations issued by FNMA/FHLMC	48,099	-	(4,962)	43,137
Commercial mortgage-backed securities issued by FHLMC	16,682	-	(1,152)	15,530
Other commercial mortgage-backed securities	24,405	-	(1,622)	22,783
State and municipal bonds	8,051	-	(1,186)	6,865
	$ 143,262	$ -	$ (13,740)	$ 129,522

The amortized cost and estimated fair market value of available-for-sale debt securities classified according to their contractual maturities at March 31, 2025, were as follows (in thousands):

	Amortized Cost	Estimated Fair Value
Due in one year or less	$ -	$ -
Due after one year through five years	30,497	29,217
Due after five years through 10 years	26,828	25,394
Due after 10 years	82,043	73,213
Total	$ 139,368	$ 127,824

The table above is not intended to reflect actual maturities, cash flows, or interest rate risk. Actual maturities may differ from the contractual maturities shown above as a result of prepayments.

The following table shows the Company's debt securities fair value and gross unrealized losses; aggregated by debt security category and length of time that individual debt securities have been in a continuous unrealized loss position (dollars are in thousands):

	March 31, 2025								
	Less Than 12 Months			12 Months or More			Total		
Description of Securities	#	Fair Value	Unrealized Loss	#	Fair Value	Unrealized Loss	#	Fair Value	Unrealized Loss
U.S. treasury securities	-	$ -	$ -	3	$ 10,304	$ (632)	3	$ 10,304	$ (632)
U.S. government sponsored entity mortgage-backed securities issued by FNMA/FHLMC	-	-	-	8	15,862	(2,920)	8	15,862	(2,920)
U.S. government agency small business administration pools guaranteed by SBA	-	-	-	4	7,989	(571)	4	7,989	(571)
Collateralized mortgage obligations guaranteed by GNMA	-	-	-	8	5,795	(160)	8	5,795	(160)
Collateralized mortgage obligations issued by FNMA/ FHLMC	1	153	-	18	42,308	(4,024)	19	42,461	(4,024)
Commercial mortgage-backed securities issued by FHLMC	-	-	-	3	15,645	(886)	3	15,645	(886)
Other commercial mortgage-backed securities	-	-	-	10	22,697	(1,374)	10	22,697	(1,374)
State and municipal bonds	-	-	-	2	7,071	(977)	2	7,071	(977)
Total temporarily impaired securities	1	$ 153	$ -	56	$ 127,671	$ (11,544)	57	$ 127,824	$ (11,544)

Description of Securities	December 31, 2024 Less Than 12 Months #	Fair Value	Unrealized Loss	12 Months or More #	Fair Value	Unrealized Loss	Total #	Fair Value	Unrealized Loss
U.S. treasury securities	-	$ -	$ -	3	$ 10,130	$ (799)	3	$ 10,130	$ (799)
U.S. government sponsored entity mortgage-backed securities issued by FNMA/FHLMC	-	-	-	8	15,996	(3,193)	8	15,996	(3,193)
U.S. government agency small business administration pools guaranteed by SBA	-	-	-	4	8,944	(590)	4	8,944	(590)
Collateralized mortgage obligations guaranteed by GNMA	-	-	-	8	6,137	(236)	8	6,137	(236)
Collateralized mortgage obligations issued by FNMA/FHLMC	1	156	(2)	18	42,981	(4,960)	19	43,137	(4,962)
Commercial mortgage-backed securities issued by FHLMC	-	-	-	3	15,530	(1,152)	3	15,530	(1,152)
Other commercial mortgage-backed securities	-	-	-	10	22,783	(1,622)	10	22,783	(1,622)
State and municipal bonds	-	-	-	2	6,865	(1,186)	2	6,865	(1,186)
Total temporarily impaired securities	1	$ 156	$ (2)	56	$ 129,366	$ (13,738)	57	$ 129,522	$ (13,740)

The Company does not believe that the debt securities available for sale that were in an unrealized loss position as of March 31, 2025 and December 31, 2024 represent a credit loss impairment. For both periods presented, the gross unrealized loss positions were primarily related to mortgage-backed securities issued by U.S. government agencies or U.S. government-sponsored enterprises. These securities carry the explicit and/or implicit guarantee of the U.S. government and have a history of zero credit loss. Total gross unrealized losses were attributable to changes in interest rates, relative to when the investment securities were purchased, and not due to the credit quality of the debt securities. The Company does not intend to sell the debt securities that were in an unrealized loss position and it is unlikely that the Company will be required to sell the debt securities before recovery of their amortized cost basis, which may be at maturity.

NOTE 4 – Loans

The composition of loans is as follows (in thousands):

	March 31, 2025	December 31, 2024
Commercial and industrial	$ 227,157	$ 231,441
Commercial real estate	243,820	244,364
SBA	87,432	84,799
Consumer	118,934	120,032
Land and land development	9,374	11,243
Construction	11,615	5,903
Gross loans held for investment	698,332	697,782
Unearned income and net unamortized deferred fees and costs	934	942
Loans, net of unearned income and unamortized fees and costs	699,266	698,724
Allowance for credit losses	(9,311)	(9,223)
Net loans held for investment	$ 689,955	$ 689,501

NOTE 5 – Allowance for Credit Losses

The following table presents transactions in the allowance for credit losses by portfolio segment (in thousands):

	Three Months Ended March 31, 2025						
	Commercial and Industrial	Commercial Real Estate	SBA	Consumer	Land and Land Development	Construction	Total
Balance, beginning of period	$ 3,128	$ 3,234	$ 1,286	$ 1,280	$ 208	$ 87	$ 9,223
Provision (credit)	(38)	(84)	144	59	(42)	91	130
Loans charged off	-	-	(8)	(39)	-	-	(47)
Loan recoveries	1	-	1	3	-	-	5
Balance, end of period	$ 3,091	$ 3,150	$ 1,423	$ 1,303	$ 166	$ 178	$ 9,311

	Three Months Ended March 31, 2024						
	Commercial and Industrial	Commercial Real Estate	SBA	Consumer	Land and Land Development	Construction	Total
Balance, beginning of period	$ 3,378	$ 3,368	$ 1,014	$ 1,092	$ 169	$ 263	$ 9,284
Provision (credit)	38	8	123	122	40	(101)	230
Loans charged off	-	-	-	(55)	-	-	(55)
Loan recoveries	-	-	-	4	-	-	4
Balance, end of period	$ 3,416	$ 3,376	$ 1,137	$ 1,163	$ 209	$ 162	$ 9,463

The Company recorded a $100 thousand provision for credit losses in the first quarter of 2025. A provision of $130 thousand was recorded as an allowance for loan losses and $30 thousand was recorded as a reduction in the allowance for unfunded commitments. This compares to a $215 thousand provision for credit losses in the first quarter of 2024. A provision of $230 thousand was recorded as an allowance for loan losses and $15 thousand was recorded as a reduction in the allowance for unfunded commitments.

At March 31, 2025, the Company maintained an allowance for unfunded commitments of $135 thousand. At December 31, 2024, the Company maintained an allowance for unfunded commitments of $165 thousand. The allowance for unfunded commitments are included as part of the Other Liabilities line on the Company's Consolidated Balance Sheets.

Credit Quality Indicators
The Company maintains an internal risk rating process in order to increase the precision and effectiveness of credit risk management. Loans are assigned one of the following four internally assigned grades: pass, special mention, substandard, and doubtful. The following are the definitions of the Company's credit quality indicators:

Pass. Loans designated as pass are not adversely rated, are contractually current as to principal and interest, and are otherwise in compliance with the contractual terms of the loan or lease agreement. Management believes that there is a low likelihood of loss related to those loans and leases that are considered Pass.

Special Mention. Loans designated as special mention are loans that possess some credit deficiency that deserves close attention due to emerging problems. Such loans pose unwarranted financial risk that, if left uncorrected, may result in deterioration of the repayment prospects for the asset or in the Bank's credit position at some future date.

Substandard. Loans graded as substandard or doubtful are considered "Classified" loans for regulatory purposes. Loans classified as substandard are loans that are generally inadequately protected by the current net worth and paying capacity of the obligor, or by the collateral pledged, if any. Loans classified as substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of the loan. Substandard loans are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Doubtful. Loans classified as doubtful have the weaknesses of those classified as substandard, with additional characteristics that make collection in full on the basis of currently existing facts, conditions and values questionable, and there is a higher probability of loss.

Below is a summary of the segments and certain of the inherent risks in the Company's loan portfolio:

Commercial and industrial and SBA. These portfolio segments include guaranteed, secured and unsecured commercial loans. Credit risks inherent in this portfolio segment include fluctuations in the local and national economy.

Commercial real estate. The commercial real estate portfolio segment includes all commercial loans that are secured by real estate, other than those included in the construction and land development segment. Risks inherent in this portfolio segment include fluctuations in property values and changes in the local and national economy impacting the sale or lease of the finished structures.

Construction and Land Development. These portfolio segments include loans for the purpose of construction. Credit risks inherent in these portfolios include fluctuations in property values, unemployment, and changes in the local and national economy.

Consumer. This portfolio segment consists of real estate and non-real estate loans to consumers. This includes mortgages, secured loans, and unsecured loans. The risks inherent in this portfolio segment include those factors that would impact the consumer's ability to meet their obligations under the loan, such as the local unemployment rate.

The following presents by credit quality indicator, loan class, and year of origination, the amortized cost basis of the Company's loans (in thousands):

	Term Loans by Origination Year							
March 31, 2025	**2025**	**2024**	**2023**	**2022**	**2021**	**Prior**	**Revolving Loans**	**Total**
Commercial and industrial								
Pass	$ 10,350	$ 53,600	$ 19,035	$ 57,737	$ 19,969	$ 41,998	$ 18,983	$ 221,672
Special mention	-	-	3,263	-	-	-	20	3,283
Substandard	-	-	-	299	144	1,436	40	1,919
Doubtful	-	-	-	283	-	-	-	283
Total commercial and industrial	$ 10,350	$ 53,600	$ 22,298	$ 58,319	$ 20,113	$ 43,434	$ 19,043	$ 227,157
Commercial and industrial loans:								
Current period gross write-offs:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial Real Estate								
Pass	$ 9,261	$ 7,168	$ 31,386	$ 42,251	$ 46,072	$ 97,363	$ 779	$ 234,280
Special mention	-	-	-	6,844	-	246	2,450	9,540
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total commercial real estate	$ 9,261	$ 7,168	$ 31,386	$ 49,095	$ 46,072	$ 97,609	$ 3,229	$ 243,820
Commercial real estate:								
Current period gross write-offs:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Small Business Administration								
Pass	$ 2,689	$ 23,188	$ 11,991	$ 20,299	$ 8,258	$ 17,887	$ 678	$ 84,990
Special mention	-	-	144	330	383	137	-	994
Substandard	-	-	-	681	-	179	-	860
Doubtful	-	-	-	-	37	551	-	588
Total small business administration	$ 2,689	$ 23,188	$ 12,135	$ 21,310	$ 8,678	$ 18,754	$ 678	$ 87,432
Small business administration loans:								
Current period gross write-offs:	$ -	$ -	$ -	$ -	$ -	$ 8	$ -	$ 8
Consumer								
Pass	$ 5,070	$ 22,079	$ 23,648	$ 24,836	$ 9,814	$ 16,428	$ 15,490	$ 117,365
Special mention	-	-	-	226	-	-	-	226
Substandard	-	185	896	51	121	40	50	1,343
Doubtful	-	-	-	-	-	-	-	-
Total consumer	$ 5,070	$ 22,264	$ 24,544	$ 25,113	$ 9,935	$ 16,468	$ 15,540	$ 118,934
Consumer loans:								
Current period gross write-offs:	$ 3	$ 11	$ 4	$ 16	$ 5	$ -	$ -	$ 39
Land and Land Development								
Pass	$ 556	$ 980	$ 1,891	$ 1,142	$ 2,713	$ 302	$ 1,790	$ 9,374
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total land and land development	$ 556	$ 980	$ 1,891	$ 1,142	$ 2,713	$ 302	$ 1,790	$ 9,374
Land and land development loans:								
Current period gross write-offs:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Construction								
Pass	$ -	$ -	$ 616	$ -	$ -	$ -	$ 10,999	$ 11,615
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total Construction	$ -	$ -	$ 616	$ -	$ -	$ -	$ 10,999	$ 11,615
Construction loans:								
Current period gross write-offs:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total gross loans	$ 27,926	$ 107,200	$ 92,870	$ 154,979	$ 87,511	$ 176,567	$ 51,279	$ 698,332
Total gross write-offs:	$ 3	$ 11	$ 4	$ 16	$ 5	$ 8	$ -	$ 47

	Term Loans by Origination Year							
December 31, 2024	**2024**	**2023**	**2022**	**2021**	**2020**	**Prior**	**Revolving Loans**	**Total**
Commercial and industrial								
Pass	$ 52,138	$ 23,624	$ 59,852	$ 18,853	$ 15,035	$ 30,169	$ 27,313	$ 226,984
Special mention	-	-	-	1,101	-	553	577	2,231
Substandard	-	-	274	144	-	1,525	-	1,943
Doubtful	-	-	283	-	-	-	-	283
Total commercial and industrial	$ 52,138	$ 23,624	$ 60,409	$ 20,098	$ 15,035	$ 32,247	$ 27,890	$ 231,441
Commercial and industrial loans:								
Current period gross write-offs:	$ -	$ -	$ -	$ -	$ -	$ 392	$ -	$ 392
Commercial Real Estate								
Pass	$ 8,408	$ 30,883	$ 42,751	$ 48,117	$ 16,793	$ 85,625	$ 2,431	$ 235,008
Special mention	-	-	6,906	-	-	-	2,450	9,356
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total commercial real estate	$ 8,408	$ 30,883	$ 49,657	$ 48,117	$ 16,793	$ 85,625	$ 4,881	$ 244,364
Commercial real estate:								
Current period gross write-offs:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Small Business Administration								
Pass	$ 23,066	$ 12,116	$ 20,102	$ 8,312	$ 1,861	$ 16,645	$ 787	$ 82,889
Special mention	-	80	174	351	-	15	-	620
Substandard	-	-	508	-	-	191	-	699
Doubtful	-	-	-	38	-	553	-	591
Total small business administration	$ 23,066	$ 12,196	$ 20,784	$ 8,701	$ 1,861	$ 17,404	$ 787	$ 84,799
Small business administration loans:								
Current period gross write-offs:	$ -	$ -	$ -	$ -	$ -	$ 159	$ -	$ 159
Consumer								
Pass	$ 23,859	$ 25,093	$ 26,299	$ 10,491	$ 7,296	$ 10,155	$ 15,608	$ 118,801
Special mention	-	-	-	-	-	-	-	-
Substandard	168	873	34	69	33	3	51	1,231
Doubtful	-	-	-	-	-	-	-	-
Total consumer	$ 24,027	$ 25,966	$ 26,333	$ 10,560	$ 7,329	$ 10,158	$ 15,659	$ 120,032
Consumer loans:								
Current period gross write-offs:	$ 10	$ 21	$ 68	$ 42	$ 23	$ 31	$ -	$ 195
								-
Land and Land Development								-
Pass	$ 996	$ 2,143	$ 1,169	$ 861	$ 307	$ -	$ 5,767	$ 11,243
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total land and land development	$ 996	$ 2,143	$ 1,169	$ 861	$ 307	$ -	$ 5,767	$ 11,243
Land and land development loans:								
Current period gross write-offs:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Construction								
Pass	$ -	$ 601	$ -	$ -	$ -	$ -	$ 5,302	$ 5,903
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total Construction	$ -	$ 601	$ -	$ -	$ -	$ -	$ 5,302	$ 5,903
Construction loans:								
Current period gross write-offs:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total gross loans	$ 108,635	$ 95,413	$ 158,352	$ 88,337	$ 41,325	$ 145,434	$ 60,286	$ 697,782
Total gross write-offs:	$ 10	$ 21	$ 68	$ 42	$ 23	$ 582	$ -	$ 746

Performing and Non-Accrual Loans

The Bank's key credit quality indicator is a loan's performance status, defined as accrual or non-accrual. Performing loans are considered to have a lower risk of loss and are on accrual status. Non-accrual loans include loans on which the accrual of interest has been discontinued. Accrual of interest is discontinued when the Bank believes that the borrower's financial condition is such that the collection of interest is doubtful. A delinquent loan is generally placed on non-accrual status when it becomes 90 days or more past due unless the loan is well secured and in the process of collection. When a loan is placed on non-accrual status, accrued but uncollected interest income is reversed against interest income in the current period. No additional interest is accrued on the loan balance until the collection of both principal and interest becomes reasonably certain. Delinquent balances are determined based on the contractual terms of the loan adjusted for charge-offs and payments applied to principal.

The following table sets forth information regarding the Bank's performing and non-accrual loans (in thousands):

	March 31, 2025					
	Current	31-89 Days Past Due	90 Days or More Past Due And Accruing	Total Performing	Non-accrual	Total
Commercial and industrial:						
Business loans	$ 104,797	$ -	$ -	$ 104,797	$ 572	$ 105,369
Agriculture	35,903	57	-	35,960	155	36,115
Owner-occupied commercial real estate	85,673	-	-	85,673	-	85,673
Commercial real estate	243,820	-	-	243,820	-	243,820
SBA	82,026	-	-	82,026	5,406	87,432
Consumer:						
Automobile	5,330	-	-	5,330	24	5,354
Home equity	13,954	-	-	13,954	36	13,990
1st mortgage	31,242	57	871	32,170	-	32,170
Other	66,827	403	-	67,230	190	67,420
Land and land development	9,374	-	-	9,374	-	9,374
Construction	11,615	-	-	11,615	-	11,615
Total gross loans	$ 690,561	$ 517	$ 871	$ 691,949	$ 6,383	$ 698,332

	December 31, 2024					
	Current	31-89 Days Past Due	90 Days or More Past Due And Accruing	Total Performing	Non-accrual	Total
Commercial and industrial:						
Business loans	$ 107,206	$ -	$ -	$ 107,206	$ 571	$ 107,777
Agriculture	41,914	-	-	41,914	189	42,103
Owner-occupied commercial real estate	81,561	-	-	81,561	-	81,561
Commercial real estate	244,364	-	-	244,364	-	244,364
SBA	79,423	-	-	79,423	5,376	84,799
Consumer:						
Automobile	6,066	45	-	6,111	24	6,135
Home equity	14,247	-	-	14,247	33	14,280
1st mortgage	31,940	873	-	32,813	-	32,813
Other	66,415	307	-	66,722	82	66,804
Land and land development	11,243	-	-	11,243	-	11,243
Construction	5,903	-	-	5,903	-	5,903
Total gross loans	$ 690,282	$ 1,225	$ -	$ 691,507	$ 6,275	$ 697,782

The following table sets forth information on the Bank's non-accrual loans (in thousands):

	March 31, 2025		
	Non-accrual loans with a related ACL	Non-accrual loans without a related ACL	Total Non-Accrual Loans
Commercial and industrial:			
Business loans	$ 289	$ 283	$ 572
Agriculture	155	-	155
SBA	5,266	140	5,406
Consumer:			
Automobile	24	-	24
Home equity	36	-	36
Other	190	-	190
Total	$ 5,960	$ 423	$ 6,383

	December 31, 2024		
	Non-accrual loans with a related ACL	Non-accrual loans without a related ACL	Total Non-Accrual Loans
Commercial and industrial:			
Business loans	$ 288	$ 283	$ 571
Agriculture	189	-	189
SBA	5,231	145	5,376
Consumer:			
Automobile	24	-	24
Home equity	33	-	33
Other	82	-	82
Total	$ 5,847	$ 428	$ 6,275

The following table indicates the effect on interest income on loans if interest on non-accrual loans outstanding at period end had been recognized at original contractual rates (in thousands):

	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024
Interest income that would have been recorded	$ 182	$ 73
Interest income recorded	-	-
Effect on interest income on loans	$ 182	$ 73

Loan Modifications

The Company individually evaluates all modification to loans where the borrower is experiencing financial difficulty. In cases where the modification is determined to be at least as favorable to the Company as the terms for comparable loans to other borrowers with similar risk characteristics the loan is considered a new origination. In the event the evaluation determines that the modification is not in-line with terms for comparable loans, the Company considers these loans to be a modified loan. These types of modifications generally take the form of principal forgiveness, interest rate reduction, other-than-insignificant payment delay, or a term extension.

The following presents the amortized cost of loans to borrowers experiencing financial difficulty that were modified during the period by loan segment and modification type (in thousands):

	March 31, 2025		
	Payment Modification (1)	Total	Percentage of Total Loans
Commercial and industrial	$ 90	$ 90	- %
SBA	89	89	-
Total	$ 179	$ 179	- %

(1) Modifications reduced payments for eleven months.

Loan modifications to borrowers experiencing financial difficulty during the first three months of 2025 did not result in principal forgiveness.

	March 31, 2024				
	Term Extension and Payment Deferment (1)	Term Extension, Payment Modification, Interest Rate Reduction (2)	Term Extension, Payment Modification, Payment Deferment, and Interest Rate Reduction (3)	Total	Percentage of Total Loans
Commercial and industrial	$ 133	$ 57	$ -	$ 190	- %
SBA	963	-	3,930	4,893	0.7
	$ 1,096	$ 57	$ 3,930	$ 5,083	0.7 %

(1) Modifications extended term by seven months and deferred payments up to seven months.
(2) Modifications extended term by eighteen months, reduced payment, and reduced interest rate by 8.75%.
(3) Modifications extended terms up to sixty-eight months, reduced payment, reduced interest rates to as low as 1.00%, deferred payment for up to eleven months.

Loan modifications to borrowers experiencing financial difficulty during the first three months of 2024 did not result in principal forgiveness.

The following table sets forth information regarding the payment status of modified loans to borrowers experiencing financial difficulty (in thousands):

	As of March 31, 2025			
	Current	31-89 Days Past Due	90 Days or More Past Due	Total
Commercial and industrial	$ -	$ -	$ 90	$ 90
SBA	-	-	89	89
Total	$ -	$ -	$ 179	$ 179

	As of March 31, 2024			
	Current	31-89 Days Past Due	90 Days or More Past Due	Total
Commercial and industrial	$ 57	$ -	$ 133	$ 190
SBA	3,930	-	963	4,893
Total	$ 3,987	$ -	$ 1,096	$ 5,083

Collateral-Dependent Loans

A financial asset is considered collateral-dependent when the debtor is experiencing financial difficulty and repayment is expected to be provided substantially through the sale or operation of the collateral. The following tables present the amortized cost basis of collateral-dependent loans by class and the specific allowance (in thousands):

	As of March 31, 2025	
	Principal Balance	Specific Allowance
Commercial and industrial: Business loans	$ 2,002	$ 366
Commercial and industrial: Agriculture	155	20
SBA	5,047	611
Consumer: Automobile	24	4
Consumer: Home equity	36	6
Consumer: Other	190	33
Total	$ 7,454	$ 1,040

	As of December 31, 2024	
	Principal Balance	Specific Allowance
Commercial and industrial: Business loans	$ 2,086	$ 381
Commercial and industrial: Agriculture	189	54
SBA	4,999	535
Consumer: Automobile	24	5
Consumer: Home equity	33	6
Consumer: Other	57	10
Total	$ 7,388	$ 991

NOTE 6 – Earnings Per Share

The following table shows the amounts used in computing per share results:

	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024
Denominator for basic earnings per share*:*		
Average common shares outstanding	3,540,080	3,581,466
Dilutive effect of stock compensation	969	5,517
Denominator for diluted earnings per share	3,541,049	3,586,983
Numerator (in thousands):		
Net income	$ 1,764	$ 1,740
Basic earnings per common share	$ 0.50	$ 0.49
Diluted earnings per common share	$ 0.50	$ 0.49

NOTE 7 – Share-Based Compensation

The Company may grant share-based compensation at prices equal to the fair value of the stock at the grant date. The Company has two share-based plans for certain key employees and directors whereby shares of common stock have been reserved for awards in the form of stock options or restricted stock awards. The plans are as follows:

	1995	2015	Total
Total Shares in Plan	250,000	50,000	300,000
Total Shares Available for Issuance	40,951	9,534	50,485

Following is a summary of restricted stock activities for the three-month periods ending March 31:

	Three Months Ended March 31, 2025		Three Months Ended March 31, 2024	
	Number Restricted Stock Shares	Weighted Average Grant Date Fair Value	Number Restricted Stock Shares	Weighted Average Grand Date Fair Value
Outstanding, beginning of period	3,750	$ 23.10	10,250	$ 31.83
Granted	-	-	-	-
Vested	-	-	(250)	34.77
Forfeited	-	-	-	-
Outstanding, end of period	3,750	23.10	10,000	31.76

The Company recognized share-based compensation expense of $7 thousand related to restricted stock for the three-month period ended March 31, 2025. The Company recognized share-based compensation expense of $25 thousand related to restricted stock for the three-month period ended March 31, 2024.

At March 31, 2025, the Company had $77 thousand of unamortized restricted stock compensation expense. The cost of a restricted stock grant is recognized over the vesting period, which is generally three to four years.

NOTE 8 – Revenue from Contracts with Customers

The following table disaggregates non-interest income subject to ASC 606 (in thousands):

	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024
Service charges on deposits	$ 145	$ 147
Bankcard fees	249	267
Bank charges and service fees not within scope of ASC 606	274	379
Total bank charges and service fees	668	793
Wealth management revenue	521	498
Total wealth management revenues	521	498
Other	10	12
Other not within the scope of ASC 606 (a)	186	235
Total other	196	247
Other non-interest income not within the scope of ASC 606 (a)	(1)	-
Total non-interest income	$ 1,384	$ 1,538

(a) This revenue is not within the scope of ASC 606, and includes fees related to mortgage banking operations, gains on sale of loans, revenue from investments in SBIC, and various other transactions.

The Company had no material contract assets or remaining performance obligations as of March 31, 2025. Total receivables from revenue recognized under the scope of ASC 606 were $497 thousand as of March 31, 2025, and $539 thousand as of December 31, 2024. These receivables are included as part of the Other assets line on the Company's Consolidated Balance Sheets.

NOTE 9 – Fair Value Measurements

FASB ASC 820, *Fair Value Measurement,* defines fair value and establishes a framework for measuring fair value of assets and liabilities using a hierarchy system consisting of three levels based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets that the Company has the ability to access.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use significant assumptions not observable in the market and are used only to the extent that observable inputs are not available. These unobservable assumptions reflect the Company's own estimates of assumptions that market participants would use in pricing the asset or liability.

For the periods presented, Treasury Securities were considered to be Level 1 while all other assets and liabilities valued at fair value were considered to be Level 2. There were no transfers into or out of the respective levels during the periods presented.

The following tables summarize the financial assets and liabilities of the Company for which fair values are determined on a recurring basis (in thousands):

	Carrying Value at March 31, 2025				Three Months Ended March 31, 2025
	Total	**Level 1**	**Level 2**	**Level 3**	**Total Gains/(Losses)**
ASSETS					
Debt securities available for sale	$ 127,824	$ 10,304	$ 117,520	$ -	$ -
Total assets at fair value	$ 127,824	$ 10,304	$ 117,520	$ -	$ -

	Carrying Value at December 31, 2024				Twelve Months Ended December 31, 2024
	Total	**Level 1**	**Level 2**	**Level 3**	**Total Gains/(Losses)**
ASSETS					
Debt securities available for sale	$ 129,522	$ 10,130	$ 119,392	$ -	$ -
Total assets at fair value	$ 129,522	$ 10,130	$ 119,392	$ -	$ -

NOTE 10 – Fair Value of Financial Instruments

The estimated fair values of the Company's financial instruments are as follows (in thousands):

	Level in Fair Value Measurement Hierarchy	March 31, 2025		December 31, 2024	
		Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Assets:					
Cash and cash equivalents	Level 1	$ 102,854	$ 102,854	$ 100,815	$ 100,815
Federal Reserve Bank and Federal Home Loan Bank stock	Level 2	2,386	2,386	2,387	2,387
Gross loans held for investment	Level 2	698,332	689,651	697,782	681,736
Accrued interest receivable	Level 2	3,979	3,979	4,108	4,108
		$ 807,551	$ 798,870	$ 805,092	$ 789,046
Liabilities and Stockholders' Equity:					
Deposits, noninterest-bearing	Level 2	$ 169,503	$ 169,503	$ 172,456	$ 172,456
Deposits, interest-bearing	Level 2	679,344	678,676	665,044	664,286
Accrued interest payable	Level 2	1,336	1,336	1,248	1,248
Guaranteed preferred beneficial interests in Company's subordinated debentures	Level 2	15,464	12,104	15,464	12,122
		$ 865,647	$ 861,619	$ 854,212	$ 850,112
Financial instruments with off-balance-sheet risk:					
Commitments to extend credit	Level 2	$ -	$ 183	$ -	$ 219
Standby and commercial letters of credit	Level 2	$ -	$ 39	$ -	$ 29

NOTE 11 – Federal Home Loan Bank Advances

As of March 31, 2025, the Bank had no Federal Home Loan Bank (FHLB) advances outstanding. At March 31, 2025, the Bank had loans with unamortized principal balances of approximately $195.4 million pledged as collateral to the FHLB.

As of December 31, 2024, the Bank had no FHLB advances outstanding. At December 31, 2024, the Bank had loans with unamortized principal balances of approximately $200.0 million pledged as collateral to the FHLB.

As of March 31, 2025, the Bank has the ability to draw advances up to approximately $111.4 million based upon the aggregate collateral that is currently pledged, subject to additional FHLB stock purchase requirements.

NOTE 12 – Other Borrowings

The following table presents selected information regarding other borrowings (in thousands):

March 31, 2025

Unsecured Borrowing Lines:		Line	Outstanding	Available
BNC National Bank lines (1)		$ 34,500	$ -	$ 34,500

Secured Borrowing Lines:	Collateral Pledged	Line	Outstanding	Available
BNC National Bank line	$ 3,085	$ 1,850	$ -	$ 1,850
BNCCORP line	105,074	10,000	-	10,000
Total	$ 108,159	$ 11,850	$ -	$ 11,850

(1) The unsecured BNC National Bank Lines consists of three separate lines with three institutions in individual amounts of $12.5 million, $12 million, and $10 million.

At March 31, 2025, the pledged collateral for the secured BNC National Bank line was comprised of commercial real estate loans and the pledged collateral for the secured BNCCORP line is the common stock of BNC National Bank.

December 31, 2024

Unsecured Borrowing Lines:		Line	Outstanding	Available
BNC National Bank lines (1)		$ 34,500	$ -	$ 34,500

Secured Borrowing Lines:	Collateral Pledged	Line	Outstanding	Available
BNC National Bank line	$ 3,116	$ 1,683	$ -	$ 1,683
BNCCORP line	101,376	10,000	-	10,000
Total	$ 104,492	$ 11,683	$ -	$ 11,683

(1) The unsecured BNC National Bank Lines consists of three separate lines with three institutions in individual amounts of $12.5 million, $12 million, and $10 million.

At December 31, 2024, the pledged collateral for the secured BNC National Bank line was comprised of commercial real estate loans and the pledged collateral for the secured BNCCORP line is the common stock of BNC National Bank.

NOTE 13 – Guaranteed Preferred Beneficial Interests in Company’s Subordinated Debentures

In July 2007, BNCCORP issued $15.5 million of floating rate subordinated debentures. During the third quarter of 2023 the index rate and spread converted from three-month LIBOR plus 1.40% to three-month SOFR plus 1.66%. The interest rate at March 31, 2025, and December 31, 2024, was 5.97% and 6.25%, respectively. The subordinated debentures mature on October 1, 2037. The subordinated debentures may be redeemed at par and the corresponding debentures may be prepaid at the option of BNCCORP, subject to approval by the Federal Reserve Board.

NOTE 14 – Stockholders’ Equity

Regulatory restrictions exist regarding the ability of the Bank to transfer funds to BNCCORP in the form of cash dividends. Approval of the Office of the Comptroller of the Currency (OCC), the Bank’s principal regulator, is required for BNC National Bank to pay dividends to BNCCORP in excess of the Bank’s net profits from the current year plus retained net profits for the preceding two years.

BNCCORP is required to consult with the Federal Reserve Board prior to declaring a cash dividend to stockholders. On February 2, 2024, BNCCORP’s Board of Directors declared a $2.25 per share special cash dividend that was paid on March 25, 2024, and on December 18, 2024, BNCCORP’s Board of Directors declared a $4.00 per share special cash dividend that was paid on January 14, 2025.

BNCCORP’s Board of Directors approved a share repurchase program authorizing the Company to repurchase up to 175,000 shares of BNCCORP, INC. outstanding common stock. During the first quarter of 2024, the Company repurchased 50,000 shares of common stock for a total cost of $1.2 million, or $23.25 per share, excluding the cost of commissions, transaction charges and taxes. No other share repurchases of common stock were made by the Company during 2024. As of December 31, 2024, 125,000 shares remained under the current authorized share repurchase program. Share repurchases can be made through open market purchases, unsolicited and solicited privately negotiated transactions, or in accordance with terms of Rule 10b-18 promulgated under the Securities Exchange Act of 1934. The Company will not repurchase shares from directors or officers of the Company under the authorization. The Company will contemplate share repurchases subject to market conditions and other factors, including legal and regulatory restrictions and required approvals.

NOTE 15 – Regulatory Capital and Current Operating Environment

BNCCORP and BNC National Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet capital requirements mandated by regulators can trigger certain mandatory and discretionary actions by regulators. Such actions, if undertaken, could have a direct material adverse effect on the Company’s financial condition and results of operations. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, BNCCORP and BNC National Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. Regulators may also impose capital requirements that are specific to individual institutions. The requirements are generally above the statutory ratios.

At March 31, 2025, the Company’s capital ratios exceeded all regulatory capital thresholds and maintained sufficient capital conservation buffers to avoid limitations on certain types of capital distributions.

At March 31, 2025, and December 31, 2024, the regulatory capital amounts and ratios were as follows (dollars in thousands):

	Actual		For Capital Adequacy Purposes		To be Well Capitalized		Amount in Excess of Well Capitalized	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
March 31, 2025								
Total Risk-Based Capital:								
Consolidated	$ 129,710	15.66 %	$ 66,249	≥8.00 %	$ N/A	N/A %	$ N/A	N/A %
BNC National Bank	121,596	14.70	66,169	≥8.00	82,711	10.00	38,885	4.70
Tier 1 Risk-Based Capital:								
Consolidated	120,234	14.52	49,686	≥6.00	N/A	N/A	N/A	N/A
BNC National Bank	112,119	13.56	49,627	≥6.00	66,169	8.00	45,950	5.56
Common Equity Tier 1 Risk-Based Capital:								
Consolidated	104,770	12.65	37,265	≥4.50	N/A	N/A	N/A	N/A
BNC National Bank	112,119	13.56	37,220	≥4.50	53,762	6.50	58,357	7.06
Tier 1 Leverage Capital:								
Consolidated	120,234	12.57	38,253	≥4.00	N/A	N/A	N/A	N/A
BNC National Bank	112,119	11.74	38,193	≥4.00	47,741	5.00	64,378	6.74
Tangible Common Equity (to total assets): (a)								
Consolidated	97,239	10.06	N/A	N/A	N/A	N/A	N/A	N/A
BNC National Bank	104,996	10.88	N/A	N/A	N/A	N/A	N/A	N/A
December 31, 2024								
Total Risk-Based Capital:								
Consolidated	$ 127,627	15.35%	$ 66,524	≥8.00%	$ N/A	N/A%	$ N/A	N/A%
BNC National Bank	119,461	14.38	66,445	≥8.00	83,056	10.00	36,405	4.38
Tier 1 Risk-Based Capital:								
Consolidated	118,239	14.22	49,893	≥6.00	N/A	N/A	N/A	N/A
BNC National Bank	110,073	13.25	49,833	≥6.00	66,445	8.00	43,628	5.25
Common Equity Tier 1 Risk-Based Capital:								
Consolidated	102,774	12.36	37,419	≥4.50	N/A	N/A	N/A	N/A
BNC National Bank	110,073	13.25	37,375	≥4.50	53,986	6.50	56,087	6.75
Tier 1 Leverage Capital:								
Consolidated	118,239	12.75	37,104	≥4.00	N/A	N/A	N/A	N/A
BNC National Bank	110,073	11.89	37,045	≥4.00	46,306	5.00	63,767	6.89
Tangible Common Equity (to total assets): (a)								
Consolidated	93,586	9.68	N/A	N/A	N/A	N/A	N/A	N/A
BNC National Bank	101,294	10.49	N/A	N/A	N/A	N/A	N/A	N/A

(a) Tangible common equity ratio is calculated by dividing common equity, less intangible assets, by total period end assets.

The most recent notifications from the OCC categorized the Bank as “well capitalized” under the regulatory framework for prompt corrective action. Management believes the Bank remains well capitalized through the date for which subsequent events have been evaluated.

Management’s Discussion and Analysis of Financial Condition and Results of Operations

References to “BNCCORP” or “the Company” refer to BNCCORP, INC. and its consolidated subsidiaries, collectively; references to “the Bank” only refer to BNC National Bank. Where not otherwise indicated below, financial condition and results of operations discussed are of BNCCORP, INC.

Comparison of Results for the Three Months Ended March 31, 2025, and 2024

The Company reported net income of $1.8 million, or $0.50 per diluted share, for the quarter compared to $1.7 million, or $0.49 per diluted share, in the first quarter of 2024.

First quarter interest income increased $323 thousand, or 2.8%, to $12.0 million in the first quarter of 2025 from $11.7 million in the first quarter of 2024. Average yield on interest-earning assets in the quarter improved to 5.34% from 5.23% in the first quarter of 2024 driven by a $23.5 million period-over-period increase in the average balance of loans held for investment and higher origination yields. Those increases were partially offset by lower yields on cash and cash equivalents, one less day in 2025, and a lower average balance of debt securities during the quarter.

Consolidated interest expense in the first quarter of 2025 was $4.1 million, an increase of $331 thousand from the 2024 period. The cost of core deposits in the first quarter of 2025 rose modestly to 1.88% versus 1.74% in the first quarter of 2024. The consolidated average balance of deposits increased by $25.3 million compared to the first quarter of 2024. The cost of interest-bearing liabilities was 2.42% during the first quarter of 2025, compared to 2.33% in the same period of 2024. The Company has experienced a migration from non-interest bearing deposits to higher rate products over recent periods along with an increase in deposit balances.

Net interest income for the first quarter of 2025 was $7.9 million, a decrease of $8 thousand, or 0.1%, from the first quarter of 2024. Net interest margin was 3.49% in the first quarter of 2025 compared to 3.52% reported in the prior year period.

Non-interest income during the first quarter of 2025 was $1.4 million, compared to $1.5 million in the 2024 first quarter. Bank charges and service fees were $125 thousand lower quarter-over-quarter primarily due to a reduction in deposits held in one-way sell positions. Using an associated banking network, the Company generates fee income on deposits not otherwise deployed by placing those deposits with other financial institutions to meet their liquidity needs. The deposits can be reclaimed for liquidity use by the Company at any time. Fees derived from the movement of deposits off the balance sheet can fluctuate significantly based on our customers’ excess funding needs. As of March 31, 2025, off-balance sheet deposits were $18.1 million compared to $38.9 million as of March 31, 2024.

Non-interest expense during the first quarter of 2025 decreased $78 thousand, or 1.1%, year-over-year, primarily due to a $22 thousand reduction in data processing expense and a $113 thousand reduction in other expenses. The decrease in other expenses is a result of lower loan workout costs and lower director fees versus the previous period. The Company reported a modest increase in salary and employee benefits of $45 thousand, or 1.1% on a quarter-over-quarter basis. Merit based and inflationary increases in salaries and employee benefits were partially offset by lower headcount.

In the first quarter of 2025, consolidated income tax expense was $542 thousand, compared to $535 thousand in the first quarter of 2024. The Company maintained an effective tax rate of 23.5% for both periods presented.

Tangible book value per common share on March 31, 2025 was $27.62, compared to $26.60 at December 31, 2024. The Company’s tangible common equity capital ratio increased to 10.06% as of March 31, 2025, compared to 9.68% on December 31, 2024.

Net Interest Income

The following table presents average balance sheet information, yields on interest-earning assets and costs on interest-bearing liabilities (dollars are in thousands):

	Three Months Ended March 31,								
	2025			2024			Change		
	Average Balance	Interest Earned or Owed	Average Yield or Cost	Average Balance	Interest Earned or Owed	Average Yield or Cost	Average Balance	Interest Earned or Owed	Average Yield or Cost
Interest-earning assets									
Cash and cash equivalents	$ 94,497	$ 1,039	4.46%	$ 85,534	$ 1,165	5.48%	$ 8,963	$ (126)	-1.02% (a)
FHLB Stock	580	8	5.59%	566	6	4.17%	14	2	1.42%
Federal Reserve Stock	1,807	27	6.06%	1,807	27	6.02%	-	-	0.04%
Debt securities – taxable	128,144	1,014	3.21%	147,843	1,264	3.44%	(19,699)	(250)	-0.23% (b)
Loans held for investment	695,519	9,912	5.78%	672,036	9,215	5.51%	23,483	697	0.27% (c)
Allowance for loan losses	(9,218)	-	0.00%	(9,282)	-	0.00%	64	-	0.00%
Total interest-earning assets	$ 911,329	$ 12,000	5.34%	$ 898,504	$ 11,677	5.23%	$ 12,825	$ 323	0.11%
Interest-bearing liabilities									
Interest checking and money market	$ 544,016	$ 3,119	2.33%	$ 531,236	$ 3,034	2.30%	$ 12,780	$ 85	0.03% (d)
Savings	43,967	11	0.11%	43,070	12	0.11%	897	(1)	0.00% (d)
Certificates of deposit	92,870	797	3.48%	69,515	510	2.93%	23,355	287	0.55% (d)
Total interest-bearing deposits	680,853	3,927	2.34%	643,821	3,556	2.22%	37,032	371	0.12%
Subordinated debentures	15,464	222	5.81%	15,464	262	6.82%	-	(40)	-1.01%
Total borrowings	15,464	222	5.81%	15,464	262	6.82%	-	(40	-1.01%
Total interest-bearing liabilities	$ 696,317	4,149	2.42%	$ 659,285	3,818	2.33%	$ 37,032	331	0.09%
Net interest income/spread		$ 7,851	2.92%		$ 7,859	2.90%		$ (8)	0.02%
Net interest margin			3.49%			3.52%			-0.03%
Notation:									
Non-interest-bearing deposits	$ 166,133	-	0.00%	$ 177,843	-	0.00%	$ (11,710)	-	0.00% (d)
Total deposits	$ 846,986	$ 3,927	1.88%	$ 821,664	$ 3,556	1.74%	$ 25,322	$ 371	0.14%
Taxable equivalents:									
Total interest-earning assets	$ 911,329	$ 12,028	5.35%	$ 898,504	$ 11,732	5.25%	$ 12,825	$ 296	0.10%
Net interest income/spread	-	$ 7,879	2.94%	-	$ 7,914	2.92%	-	$ (35)	0.02%
Net interest margin	-	-	3.51%	-	-	3.54%	-	-	-0.03%

(a) Balances increased as the cash provided by amortization of the debt securities portfolio and increased deposit balances were more than required for loan growth.
(b) The average balance of debt securities decreased as the Company is utilizing the cash flow from the portfolio to provide liquidity for loan growth.
(c) The increase in average loans held for investment is due to the loan growth produced by the Company during 2024 that has been slightly muted in the first three months of 2025.
(d) Overall, average deposit balances increased. Deposit rates increased as the Company has experienced a migration from non-interest bearing to interest bearing products.

Non-interest Income

The following table presents the major categories of the Company's non-interest income (dollars are in thousands):

	Three Months Ended March 31,		Increase (Decrease)		
	2025	2024	$	%	
Bank charges and service fees	$ 668	$ 793	$ (125)	(16) %	(a)
Wealth management revenues	521	498	23	5	(b)
Gains on sales of loans, net	(1)	-	(1)	-	
Other	196	247	(51)	(21)	(c)
Total non-interest income	$ 1,384	$ 1,538	$ (154)	(10) %	

(a) Bank charges and services fees decreased year-over-year primarily due to lower fee income from deposits held in a one-way sold position.
(b) Wealth management revenues increased due to increase assets under administration and market value increases.
(c) The decrease is primarily due to lower revenue from SBIC investments that was partially offset by gains on sale of assets.

Non-interest Expense

The following table presents the major categories of the Company's non-interest expense (dollars are in thousands):

	Three Months Ended March 31,		Increase (Decrease)		
	2025	2024	$	%	
Salaries and employee benefits	$ 4,088	$ 4,043	$ 45	1 %	
Professional services	262	255	7	3	
Data processing fees	823	845	(22)	(3)	
Marketing and promotion	183	188	(5)	(3)	
Occupancy	399	390	9	2	
Regulatory costs	132	135	(3)	(2)	
Depreciation and amortization	273	266	7	3	
Office supplies and postage	93	96	(3)	(3)	
Other	576	689	(113)	(16)	(a)
Total non-interest expense	$ 6,829	$ 6,907	$ (78)	(1) %	
Efficiency ratio	74.0%	73.5%			

(a) Other expense decreased primarily due to lower director fees and loan workout costs in the 2025 period.

Income Taxes

In the first quarter of 2025, income tax expense on a consolidated basis was $542 thousand, compared to $535 thousand in the first quarter of 2024. The effective tax rate was 23.5% in the first quarter of 2025, unchanged from the same period of 2024.

Comparison of Financial Condition at March 31, 2025 and December 31, 2024

Assets

The following table presents the Company's assets by category (dollars are in thousands):

	March 31, 2025	December 31, 2024	Increase (Decrease) $	Increase (Decrease) %	
Cash and cash equivalents	$ 102,854	$ 100,815	$ 2,039	2 %	
Debt securities available for sale	127,824	129,522	(1,698)	(1)	
Federal Reserve Bank and Federal Home Loan Bank stock	2,386	2,387	(1)	-	
Loans held for investment, net	699,266	698,724	542	-	
Allowance for credit losses	(9,311)	(9,223)	(88)	1	
Premises and equipment, net	10,624	10,893	(269)	(2)	
Operating lease right of use asset	527	618	(91)	(15)	(a)
Accrued interest receivable	3,979	4,108	(129)	(3)	
Other assets	28,426	28,837	(411)	(1)	
Total assets	$ 966,575	$ 966,681	$ (106)	- %	

(a) Decrease is a result of normal amortization of operating leases.

Loan Participations

Pursuant to the Company's lending policy, loans may not exceed 85 percent of the Bank's legal lending limit (except to the extent collateralized by U.S. Treasury securities or Bank deposits) unless the Bank's Chief Credit Officer or the Executive Credit Committee grant prior approval. To accommodate creditworthy customers whose financing needs exceed lending limits and internal restrictions, the Bank sells loan participations to outside participants without recourse. Loan participations sold on a nonrecourse basis to outside financial institutions were $126.7 million as of March 31, 2025, and $127.3 million as of December 31, 2024. The sales of participations are accounted for pursuant to FASB ASC 860, *Transfers and Servicing*.

Concentrations of Credit

The following table summarizes the locations and balances of the Company's borrowers (dollars are in thousands):

	March 31, 2025		December 31, 2024	
North Dakota	$ 407,707	58 %	$ 423,400	61 %
Arizona	142,045	20	136,907	20
Minnesota	40,918	6	38,044	5
Other	107,662	16	99,431	14
Total gross loans	$ 698,332	100 %	$ 697,782	100 %

The Company's borrowers use loan proceeds for projects in various geographic areas. The following table summarizes the locations and balances where borrowers are using loan proceeds (dollars are in thousands):

	March 31, 2025		December 31, 2024	
North Dakota	$ 377,029	54 %	$ 390,232	56 %
Arizona	167,370	24	161,402	23
Minnesota	29,440	4	29,679	4
California	28,685	4	24,347	3
South Dakota	23,594	3	23,188	3
Montana	18,946	3	19,948	3
Nevada	12,454	2	10,427	2
Colorado	12,440	2	10,006	2
Other	28,374	4	28,553	4
Total gross loans	$ 698,332	100 %	$ 697,782	100 %

The Company's loans held for investment are geographically concentrated in North Dakota and Arizona, comprising 54% and 24%, respectively, of the Company's total loans held for investment portfolio. The North Dakota economy is influenced by the energy and agriculture industries. Changes in energy supply and demand, along with market sentiment have recently caused a decrease in oil prices that, if prolonged, could have a negative impact on the oil industry and ancillary services. Potential risks to North Dakota's energy and agriculture industries include the possibility of adverse national legislation, potential effects of trade policy, and changes in economic conditions. Depending on the severity of their impact, these factors could present potential challenges to credit quality in North Dakota. The Arizona economy continues to diversify but continues to be influenced by the leisure and travel industries. Positive trends in both industries have been noted, but an extended slowdown in these industries may negatively impact credit quality in Arizona. While the Company's portfolio includes various sized loans spread over a large number of industry sectors, it has meaningful concentrations of loans to the hospitality and commercial real estate industries.

The following table approximately describes the Company's concentrations by industry as of March 31, 2025 and December 31, 2024, respectively (dollars are in thousands):

	March 31, 2025		December 31, 2024	
Non-owner occupied commercial real estate – not otherwise categorized	$ 191,419	27 %	$ 192,741	28 %
Consumer, not otherwise categorized	98,118	14	99,243	14
Hotels	90,247	13	86,863	12
Healthcare and social assistance	35,043	5	32,447	5
Agriculture, forestry, fishing and hunting	30,644	5	36,763	5
Retail trade	30,356	4	34,186	5
Transportation and warehousing	29,779	4	31,124	5
Non-hotel accommodation and food service	29,015	4	27,288	4
Art, entertainment and recreation	27,405	4	27,747	4
Mining, oil and gas extraction	22,961	3	23,685	4
Manufacturing	17,619	3	15,333	2
Construction contractors	17,295	3	13,938	2
Real estate and rental and leasing support services	15,676	2	15,385	2
Other service	15,652	2	14,325	2
Educational services	13,511	2	13,595	2
Professional, scientific, and technical services	9,877	2	9,854	1
Finance and insurance	8,308	1	8,586	1
Public administration	7,012	1	7,357	1
All other	8,395	1	7,322	1
Total gross loans	$ 698,332	100 %	$ 697,782	100 %

Loan Maturities[1]

The following table sets forth the maturities of loans in each major category of the Company's portfolio as of March 31, 2025 (in thousands):

	One Year or Less	Over 1 Year Through 5 Years Fixed Rate	Over 1 Year Through 5 Years Indexed Rate	Over 5 Years Fixed Rate	Over 5 Years Indexed Rate	Total Loans Held for Investment
Commercial and industrial	$ 23,621	$ 22,251	$ 1,201	$ 58,362	$ 121,722	$ 227,157
Commercial real estate	775	24,570	2,545	27,349	188,581	243,820
SBA	3,535	1,095	6,666	12,480	63,656	87,432
Consumer	950	4,239	5,833	84,512	23,400	118,934
Land and land development	220	4,647	1,183	215	3,109	9,374
Construction	561	-	5,922	-	5,132	11,615
Total principal amount of loans	$ 29,662	$ 56,802	$ 23,350	$ 182,918	$ 405,600	$ 698,332

(1) Maturities are based on contractual maturities. Indexed rate loans include loans that would reprice prior to maturity if base rates change.

Actual maturities may differ from the contractual maturities shown above as a result of renewals and prepayments. Loan renewals are evaluated in the same manner as new credit applications.

Allocation of the Allowance for Credit Losses

The table below presents the allocation of the allowance for credit losses among the various loan categories and sets forth the percentage of loans in each category to gross loans. The allocation of the allowance for credit losses as shown in the table should neither be interpreted as an indication of future charge-offs, nor as an indication that charge-offs in future periods will necessarily occur in these amounts or in the indicated proportions (dollars are in thousands).

	March 31, 2025		December 31, 2024	
	Allocation of Allowance	Loans as a % of Gross Loans Held for Investment	Allocation of Allowance	Loans as a % of Gross Loans Held for Investment
Commercial and industrial	$ 3,091	33 %	$ 3,128	33 %
Commercial real estate	3,150	35	3,234	35
SBA	1,423	12	1,286	12
Consumer	1,303	17	1,280	17
Land and land development	166	1	208	2
Construction	178	2	87	1
Total	$ 9,311	100 %	$ 9,223	100 %

Nonperforming Loans

The following table sets forth information concerning the Company's nonperforming loans as of the dates indicated (in thousands):

	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024	Twelve Months Ended December 31, 2024
Balance, beginning of period	$ 6,275	$ 3,351	$ 3,351
Additions to nonperforming	1,035	966	5,981
Charge-offs	-	(1)	(606)
Reclassified back to performing	(8)	(832)	(1,716)
Principal payment received	(24)	(33)	(666)
Transferred to repossessed assets	(24)	(18)	(69)
Balance, end of period	$ 7,254	$ 3,433	$ 6,275

Nonperforming Assets

The following table sets forth information concerning the Company's nonperforming assets as of the dates indicated (dollars are in thousands):

	March 31, 2025	December 31, 2024
Nonperforming loans:		
Loans 90 days or more delinquent and still accruing interest	$ 871	$ -
Non-accrual loans	6,383	6,275
Total nonperforming loans	$ 7,254	$ 6,275
Repossessed assets, net	-	33
Total nonperforming assets	$ 7,254	$ 6,308
Allowance for credit losses	$ 9,311	$ 9,223
Ratio of total nonperforming loans to total loans	1.04%	0.90%
Ratio of total nonperforming assets to total assets	1.04%	0.65%
Ratio of nonperforming loans to total assets	0.75%	0.65%
Ratio of allowance for credit losses to nonperforming loans	128%	147%

Problem Loans

Management attempts to quantify potential problem loans with more immediate credit risk. The table below summarizes the amounts of potential problem loans (in thousands):

	Special Mention	Substandard	Doubtful
March 31, 2025	$ 14,043	$ 4,122	$ 871
December 31, 2024	12,207	3,873	873

At March 31, 2025, the Bank had $5.0 million of classified loans. This compares to $4.7 million of classified loans at December 31, 2024, and $6.3 million of classified loans at March 31, 2024. As of March 31, 2025 and December 31, 2024, the Company had $14.0 million and $12.2 million, respectively, of potentially problematic loans, which are risk-rated as "special mention". As of March 31, 2025, $10.5 million of the loan balances are secured by hotels. While the Company has experienced an increase in special mention loans for this industry, the loans are not concentrated to a geographical location or specific property type. The remainder of the loans within the hotel industry are pass rated as of March 31, 2025.

A significant portion of these potential problem loans are not in default but may have characteristics such as recent adverse operating cash flows or general risk characteristics that the loan officer feels might jeopardize the future timely collection of principal and interest payments. The ultimate resolution of these credits is subject to changes in economic conditions and other factors. These loans are closely monitored to ensure that the Company's position as creditor is protected to the fullest extent possible.

Liabilities

The following table presents the Company's liabilities (dollars are in thousands):

	March 31, 2025	December 31, 2024	Increase (Decrease) $	Increase (Decrease) %	
Deposits:					
Non-interest-bearing	$ 169,503	$ 172,456	$ (2,953)	(2) %	(a)
Interest-bearing-					
Savings, interest checking and money market	582,239	579,608	2,631	-	(a)
Time deposits	97,105	85,436	11,669	14	(a)
Guaranteed preferred beneficial interests in Company's subordinated debentures	15,464	15,464	-	-	
Accrued interest payable	1,336	1,248	88	7	(b)
Accrued expenses	1,481	2,832	(1,351)	(48)	(c)
Operating lease liabilities	600	700	(100)	(14)	(d)
Dividends payable	-	14,304	(14,304)	(100)	(e)
Other liabilities	1,531	966	565	58	(f)
Total liabilities	$ 869,259	$ 873,014	$ (3,755)	- %	

(a) Overall, deposits have increased period-over-period. Increased time deposit balance reflect customer demands for interest bearing products. The Company continues to enjoy strong and enduring customer relationships and continues to focus on developing new deposit relationships.
(b) Accrued interest payable increased primarily due to increased cost of deposits.
(c) Accrued expenses decreased primarily due to lower incentive accruals and a reduction in 401k matching contributions.
(d) Decrease is due to normal amortization of operating leases.
(e) Decrease is due to payment of the $14.3 million dividend on January 14, 2025 that was declared on December 18, 2024.
(f) Increase is primarily due to higher income taxes payable.

Deposits

Total deposits increased $11.3 million to $848.9 million on March 31, 2025, from $837.5 million on December 31, 2024. The Company continues to focus on new deposit relationships and is keenly focused on the importance of liquidity.

The following table provides additional detail to the Company's total deposit relationships:

(In thousands)	As of March 31, 2025	As of December 31, 2024	As of March 31, 2024
Deposits:			
Non-interest-bearing	$ 169,503	$ 172,456	$ 170,976
Interest-bearing –			
Savings, interest checking and money market	582,239	579,608	565,151
Time deposits	97,105	85,436	69,984
Total on balance sheet deposits	848,847	837,500	806,111
Off-balance sheet deposits (1)	18,133	18,531	38,875
Total available deposits	$ 866,980	$ 856,031	$ 844,986

(1) The off-balance sheet deposits above do not include off-balance sheet time deposit that can be brought back on the balance sheet at various future maturity dates. As of March 31, 2025, the Company managed off-balance sheet time deposit balances of $6.2 million, compared to $13.9 million time deposit balances as of December 31, 2024 and $19.7 million as of March 31, 2024.

The Company remains highly focused on meeting the needs of its customers and ensuring deposit rates reflect changing market conditions. The Company estimates that deposit insurance and other deposit protection programs secure greater than 70% of its customer's deposit balances. This fact, combined with a strong balance sheet and relationship-focused culture has allowed the Company to maintain a significant deposit base.

Off-balance sheet accounts are primarily utilized to custody larger business customer deposits that require daily access to funds and FDIC insurance coverage. These off-balance sheet deposits were $18.5 million at year-end 2024 and decreased to $18.1 million at March 31, 2025. Off-balance sheet deposits can fluctuate greatly as customers balance utilization demands evolve. The Company earns non-interest income through the associated banking network for the utilization of these funds.

At March 31, 2025, and December 31, 2024, the Bank had $22.4 million and $20.4 million, respectively, in time deposits greater than $250 thousand.

Mortgage Banking Obligations

Included in accrued expenses is an estimate of mortgage banking reimbursement obligations. Although the Company sold its mortgage banking loans without recourse, industry standards require standard representations and warranties, which can require sellers to reimburse investors for economic losses if loans default or prepay after the sale. Repurchase risk is also evident within the mortgage banking industry as disputes arise between lenders and investors. Such requests for repurchase are commonly due to faulty representation and generally emerge at varied timeframes subsequent to the original sale of the loan. To estimate the contingent obligation, the Company tracks historical reimbursements and calculates the ratio of reimbursement to loan production volumes. Using reimbursement ratios and recent production levels, the Company estimates the future reimbursement amounts and record the estimated obligation. The following is a summary of activity related to mortgage banking obligations (in thousands):

	Three Months Ended March 31, 2025	Three Months Ended March 31, 2024	Twelve Months Ended December 31, 2024
Balance, beginning of period	$ 218	$ 644	$ 644
Provision (credit)	-	-	(345)
Write offs, net	-	(81)	(81)
Balance, end of period	$ 218	$ 563	$ 218

Stockholders' Equity

The Company's stockholders' equity increased $3.6 million from December 31, 2024, to March 31, 2025, primarily driven by increased retained earnings and a positive adjustment to the tax-effected fair value of debt securities available for sale as evidenced in the reduction of accumulated other comprehensive losses. As presented in Note 15 – Regulatory Capital and Current Operating Environment, the Company maintains capital in excess of regulatory requirements.

Liquidity Risk Management

Liquidity risk is the possibility of being unable to meet present and future financial obligations in a timely manner. Liquidity risk management encompasses the Company's ability to meet all present and future financial obligations in a timely manner. The objectives of the Company's liquidity management policies are to maintain adequate liquid assets, liability diversification among instruments, maturities and customers and a presence in both the wholesale purchased funds market and the retail deposit market.

The Consolidated Statements of Cash Flows in the Consolidated Financial Statements present data on cash and cash equivalents provided by and used in operating, investing, and financing activities. In addition to liquidity from core deposit growth, together with repayments and maturities of loans and debt securities, the Company may utilize brokered deposits, sell debt securities under agreements to repurchase and borrow overnight Federal funds. The Bank is a member of the FHLB of Des Moines. Advances from the FHLB are collateralized by the Bank's mortgage loans. Funding through the issuance of subordinated notes, subordinated debentures, and long-term borrowings also has been utilized.

The Company's liquidity is defined by its ability to meet cash and collateral obligations at a reasonable cost and with a minimum loss of income. Given the uncertain nature of customers' demands, as well as the Company's desire to take advantage of earnings enhancement opportunities, the Company must have adequate sources of on- and off-balance-sheet funds that can be acquired in time of need.

The Company's liquidity position is measured on an as-needed basis, but no less frequently than monthly using each of the following items:

1. Estimated liquid assets and certain off-balance sheet considerations less estimated volatile liabilities using the aforementioned methodology ($110.3 million as of March 31, 2025);
2. Borrowing capacity from the FHLB ($111.4 million as of March 31, 2025); and
3. Capacity to issue brokered deposits with maturities of less than 12 months ($137.5 million as of March 31, 2025).

On an ongoing basis, the Company uses a variety of factors to assess the Company's liquidity position including, but not limited to, the following:

- Stability of its deposit base;
- Amount of unpledged debt securities;
- Liquidity of its loan portfolio; and
- Potential loan demand.

The Company's liquidity assessment process segregates its balance sheet into liquid assets along with certain off-balance sheet considerations and short-term liabilities assumed to be vulnerable to non-replacement over a 30-day horizon in abnormally stringent conditions. Assumptions for the vulnerable short-term liabilities are based upon historical factors. The Company has a targeted range for its liquidity position over this horizon and manage operations to achieve these targets.

The Company further projects cash flows over a 12-month horizon based on its assets and liabilities and sources and uses of funds for anticipated events.

Pursuant to the Company's contingency funding plan, it estimates cash flows over a 12-month horizon under a variety of stressed scenarios to identify potential funding needs and funding sources. The Company's contingency plan identifies actions that could be taken in response to adverse liquidity events.

The Company believes this process, combined with its policies and guidelines, should provide for adequate levels of liquidity to fund the anticipated needs of on- and off- balance sheet items.

Quantitative and Qualitative Disclosures about Market Risk

Market risk arises from changes in interest rates, exchange rates, and commodity and equity prices and represents the possibility that changes in future market rates or prices will have a negative impact on the Company's earnings or value. The Company's principal market risk is interest rate risk.

Interest rate risk arises from changes in interest rates. Interest rate risk can result from: (1) Repricing risk – timing differences in the maturity/repricing of assets, liabilities, and off-balance-sheet contracts; (2) Options risk – the effect of embedded options, such as loan prepayments, interest rate caps/floors, and deposit withdrawals; (3) Basis risk – risk resulting from unexpected changes in the spread between two or more different rates of similar maturity, and the resulting impact on the behavior of lending and funding rates; and (4) Yield curve risk – risk resulting from unexpected changes in the spread between two or more rates of different maturities from the same type of instrument. The Company has risk management policies to monitor and limit exposure to interest rate risk. The Company's asset/liability management process is utilized to manage its interest rate risk. The measurement of interest rate risk associated with financial instruments is meaningful only when all related and offsetting on- and off-balance-sheet transactions are aggregated, and the resulting net positions are identified.

The Company's interest rate risk exposure is actively managed with the objective of managing the level and potential volatility of net interest income in addition to the long-term growth of equity, bearing in mind that it will always be in the business of taking on rate risk and that rate risk immunization is not entirely possible. Also, it is recognized that as exposure to interest rate risk is reduced, so too may the overall level of net interest income and equity.

The Company's primary tool for measuring and managing interest rate risk is net interest income simulation. This exercise includes assumptions regarding the changes in interest rates and the impact on the Company's current balance sheet. Interest rate caps and floors are included to the extent that they are exercised in the 12-month simulation period. Additionally, changes in prepayment behavior of the residential mortgage, CMOs, and mortgage-backed securities portfolios in each rate environment are captured using industry estimates of prepayment speeds for various coupon segments of the portfolio. For purposes of this simulation, projected month-end balances of the various balance sheet accounts are held constant at their March 31, 2025 levels. Cash flows from a given account are reinvested back into the same account so as to keep the month end balance constant at its March 31, 2025, level. The static balance sheet assumption is made so as to project the interest rate risk to net interest income embedded in the existing balance sheet. With knowledge of the balance sheet's existing net interest income profile, more informed strategies and tactics may be developed as it relates to the structure/mix of growth.

The Company monitors the results of net interest income simulation on a regular basis. Net interest income is generally simulated for the upcoming 12-month horizon in seven interest rate scenarios. The scenarios generally modeled are parallel interest rate ramps of +/- 100bp, 200bp, and 300bp along with a rates unchanged scenario. Given the current level of interest rates as of March 31, 2025, the downward scenarios for interest rate movements is limited to -200bp. The parallel movement of interest rates means all projected market interest rates move up or down by the same amount. A ramp in interest rates means that the projected change in market interest rates occurs over the 12-month horizon on a pro-rata basis. For example, in the +100bp scenario, the projected Prime rate increases from 7.50% to 8.50% 12 months later. The Prime rate in this example will increase 1/12th of the overall increase of 100 basis points each month.

The net interest income simulation results for the 12-month horizon are shown below (dollars are in thousands):

Net Interest Income Simulation

Movement in interest rates	-200bp	-100bp	Unchanged	+100bp	+200bp	+300bp
Projected 12-month net interest income	$ 35,151	$ 34,830	$ 34,311	$ 33,483	$ 32,664	$ 31,840
Dollar change from unchanged scenario	$ 840	$ 519	$ -	$ (828)	$ (1,647)	$ (2,471)
Percentage change from unchanged scenario	2.45%	1.51%	-	-2.41%	-4.80%	-7.20%

Since there are limitations inherent in any methodology used to estimate the exposure to changes in market interest rates, these analyses are not intended to be a forecast of the actual effect of changes in market interest rates, such as those indicated above on the Company. Further, these analyses are based on assets and liabilities as of March 31, 2025 (without forward adjustments for planned growth and anticipated business activities) and do not reflect any actions the Company might undertake in response to changes in market interest rates.

Static gap analysis is another tool that may be used for interest rate risk measurement. The net differences between the amount of assets, liabilities, equity and off-balance-sheet instruments repricing within a cumulative calendar period is typically referred to as the "rate sensitivity position" or "gap position." The following table sets forth the Company's rate sensitivity position as of March 31, 2025. Assets and liabilities are classified by the earliest possible repricing date or maturity, whichever occurs first.

Interest Sensitivity Gap Analysis

	Estimated Maturity or Repricing at March 31, 2025				
	0–3 Months	4–12 Months	1–5 Years	Over 5 Years	Total
	(dollars are in thousands)				
Interest-earning assets:					
Interest-bearing deposits with banks	$ 90,321	$ -	$ -	$ -	$ 90,321
Debt securities (a)	12,027	12,039	70,330	38,035	132,431
FRB and FHLB stock	2,386	-	-	-	2,386
Loans held for investment, fixed rate	37,108	46,801	139,417	21,380	244,706
Loans held for investment, indexed rate	123,557	74,121	245,979	9,969	453,626
Total interest-earning assets	$ 265,399	$ 132,961	$ 455,726	$ 69,384	$ 923,470
Interest-bearing liabilities:					
Interest checking and money market accounts	$ 538,314	$ -	$ -	$ -	$ 538,314
Savings	43,925	-	-	-	43,925
Time deposits	29,589	60,462	7,019	35	97,105
Subordinated debentures	-	15,464	-	-	15,464
Total interest-bearing liabilities	$ 611,828	$ 75,926	$ 7,019	$ 35	$ 694,808
Interest rate gap	$ (346,429)	$ 57,035	$ 448,707	$ 69,349	$ 228,662
Cumulative interest rate gap at March 31, 2025	$ (346,429)	$ (289,394)	$ 159,313	$ 228,662	
Cumulative interest rate gap to total assets	(35.84%)	(29.94%)	16.48%	23.66%	

(a) Values for debt securities reflect the timing of the estimated principal cash flows from the securities based on par values, which vary from the amortized cost and fair value of the debt securities.

The table assumes that all savings and interest-bearing demand deposits reprice in the earliest period presented, however, management believes that a significant portion of these accounts are generally not rate sensitive. Management's view is supported by historical non-maturity deposit studies, which indicate that the Company's deposit rates have largely lagged broader market rate changes and the fact that changes in interest rates paid on these deposits historically have not caused notable reductions in balances or net interest income because the repricing of certain assets and liabilities is discretionary and is subject to competitive and other pressures. As a result, assets and liabilities indicated as repricing within the same period may in fact reprice at different times and at different rate levels.

Static gap analysis does not fully capture the impact of embedded options, lagged interest rate changes, administered interest rate products, or certain off-balance-sheet sensitivities to interest rate movements. Therefore, this tool generally cannot be used in isolation to determine the level of interest rate risk exposure in banking institutions.

Since there are limitations inherent in any methodology used to estimate the exposure to changes in market interest rates, these analyses are not intended to be a forecast of the actual effect of changes in market interest rates such as those indicated above on the Company. Further, these analyses are based on the Company's assets and liabilities as of March 31, 2025, and do not contemplate any actions the Company might undertake in response to changes in market interest rates.

Legal Proceedings

From time to time in the ordinary course of business, the Company and its subsidiaries may be a party to legal proceedings arising out of the Company's lending, deposit operations, or other activities. The Company engages in foreclosure proceedings and other collection actions as part of its loan collection activities. From time to time, borrowers may also bring actions against the Company, in some cases claiming damages.

Management is not aware of any material pending or threatening litigation as of March 31, 2025.

Signatures

This report is submitted on behalf of the Company by the duly authorized undersigned.

BNCCORP, INC.

Date:	May 13, 2025	By:	/s/ Daniel J. Collins
			Daniel J. Collins President and Chief Executive Officer
		By:	/s/ Justin C. Currie
			Justin C. Currie Chief Financial Officer