BNCCORP

NEWS RELEASE

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BNCCORP, INC. REPORTS FIRST QUARTER NET INCOME OF $1.5 MILLION, OR $0.41 PER DILUTED SHARE

Highlights

- **Net income in the first quarter of 2023 was $1.5 million, or $0.41 per diluted share, unchanged from the same period of 2022. For the quarter, the Community Banking segment reported net income of $3.0 million, while the Mortgage Banking segment reported a net loss of $1.2 million.[1]**
- **Mortgage revenue decreased to $1.9 million in the first quarter of 2023 compared to $4.1 million during the same period of 2022.**
- **Net interest margin increased to 3.97% for the first quarter of 2023 compared to 2.80% during the first quarter of 2022.**
- **Total deposits declined by 5.8% and non-interest bearing deposits declined by 5.8% from December 31, 2022, primarily due to seasonal activity.**
- **No borrowings were outstanding as of March 31, 2022, unchanged from December 31, 2022. Estimated liquid assets remain strong at $152.5 million with an additional $149.1 million of borrowing capacity at March 31, 2023.**
- **New loan origination activity during the first quarter of 2023 resulted in a $13.6 million, or 2.2%, increase in loans held for investment.**

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1 On April 12, BNCCORP, INC. announced a definitive agreement with First Federal Bank (First Federal) under which First Federal will purchase certain operating assets and assume certain liabilities of BNC National Bank’s mortgage division as part of the Company’s strategic decision to exit the residential mortgage origination business. BNC National Bank’s mortgage division is principally composed of its Overland Park, Kansas based nationwide consumer direct mortgage platform. The purchase is subject to customary conditions and is expected to close in the second quarter of 2023.

- **Loans held for investment-to-deposit ratio increased to 81.6% from 74.2% at December 31, 2022 and 61.3% at March 31, 2022.**
- **Allowance for credit losses as of March 31, 2023 was 1.42% of loans held for investment compared to 1.43% as of December 31, 2022.**
- **Non-performing assets slightly increased to $1.5 million as of March 31, 2023, compared to $1.4 million as of December 31, 2022.**
- **Tangible common equity ratio was 11.55% on March 31, 2023 compared to 10.63% on December 31, 2022.**

BISMARCK, ND, May 2, 2023 – BNCCORP, INC. (BNC or the Company) (OTCQX Markets: BNCC), which operates community banking and wealth management businesses in North Dakota and Arizona as well as mortgage banking offices in Illinois, Kansas, Arizona, and North Dakota, today reported financial results for the first quarter ended March 31, 2023.

<u>Management Commentary</u>

"The first quarter of 2023 saw a continuation of the positive community banking trends we experienced in 2022," said Daniel J. Collins, BNC's President and Chief Executive Officer. "We believe this is due to focusing on our core strengths: our strong community banking relationships, our sensible lending practices and a stable forward-looking position in the marketplace. By continuing to leverage these attributes, we successfully grew our loans held for investment portfolio by $13.6 million, or 2.2%, in the quarter following strong loan growth in 2022. During 2022 and in the first quarter of 2023, for example, we saw a substantial increase in net interest income, driven by increased loan balances, disciplined deposit pricing, repricing of current loan yields, and exceptional front line customer service. We believe this approach remains viable. While the industry continues to find its footing in an environment of rising interest rates and assertive regulatory action to mitigate inflation pressures, we continue to prosper by relying on our strengths and by remaining ever-vigilant on credit quality, liquidity levels and controlling costs."

Mr. Collins continued, "Last year, we undertook a top-to-bottom review of our mortgage business. While this segment of our business has been a strong contributor to our top and bottom lines over the years, its 2022 results were negatively affected by rising interest rates and market volatility. In the first quarter of 2023, we continued to experience those impacts even as the unsettled nature of the mortgage industry made forecasting its future somewhat speculative. For these reasons, on April 12, 2023 we reached a definitive agreement with First Federal Bank under which First Federal will purchase certain operating assets and assume certain liabilities of our mortgage division and we will exit the residential mortgage origination business."

Collins continued, “Looking ahead to the balance of 2023, we expect our community banking business relationships to continue to grow. We expect to continue a measured trend of loan growth and to protect our strong financial position. Credit quality continues to be a critical metric for us as a good indicator of future performance and to assess our balancing of opportunity and risk. This inherently conservative approach has served us well over the years and will continue to be our guiding star in 2023 and beyond. We remain confident that our superior customer service and broad range of financial products will continue to meet the needs of existing and future clients.”

2023 Versus 2022 First Quarter Comparison

Net income in the first quarter of 2023 was $1.5 million, unchanged from the same period of 2022. First quarter earnings per diluted share was unchanged year-over-year at $0.41 per share. The first quarter of 2023 produced higher net interest income, higher bank charges and service fees, and lower non-interest expense compared to the same period of 2022. Results were offset by lower mortgage banking revenue and an increased provision for credit losses when compared to the 2022 period.

Net interest income for the first quarter of 2023 was $8.4 million, an increase of $1.5 million, or 22.2%, from $6.9 million in the first quarter of 2022. The year-over-year increase was primarily driven by growth in loans held for investment and overall higher yields that were partially offset by an increase in the cost of deposits and subordinated debentures. Net interest margin increased to 3.97% in the 2023 first quarter from 2.80% in the year-earlier period.

First quarter interest income increased by $2.7 million, or 37.0%, to $10.0 million in 2023, compared to $7.3 million in the first quarter of 2022. The increase is the result of higher yields on interest-earning assets and a $63.1 million quarter-over-quarter increase in average loan balances. As a result of these improvements, the yield on average interest-earning assets improved to 4.71% in the first quarter of 2023, compared to 2.96% in the 2022 first quarter. It is noteworthy that the Company’s variable rate assets have started to re-price in step with interest rate movements by the Federal Reserve as well as in response to higher yields on new loan originations.

The average balance of interest-earning assets in the first quarter of 2023 decreased by $138.0 million versus the same period of 2022, primarily due to a $171.4 million decrease in interest-bearing cash, a

$31.0 million decrease in debt securities, and a $31.0 million decrease in average loans held for sale. These decreases were partially offset by a $94.1 million increase in average loans held for investment. Interest income from loans held for investment increased $2.0 million on a quarter-over-quarter basis. Interest income from loans held for sale decreased $25 thousand primarily due to lower average balances, partially offset by a 2.72% increase in yield. Interest income from debt securities was $365 thousand higher compared to the same period of 2022 as yields increased by 1.19% quarter-over-quarter.

Interest expense in the first quarter of 2023 was $1.6 million, an increase of $1.2 million from the 2022 period. The 2023 first quarter average balance of deposits decreased by $123.8 million when compared to first quarter 2022. The primary driver of the decrease in average balances was the movement of deposits off the balance sheet at the end of the first quarter of 2022 through the use of an associated banking network. The cost of interest-bearing liabilities was 1.04% during the first quarter of 2023, compared to 0.21% in the same period of 2022. The cost of core deposits in the first quarters of 2023 and 2022 was 0.68% and 0.15%, respectively, as the Company continues to manage its overall cost of deposits while staying focused on maintaining liquidity.

As of March 31, 2023, credit metrics remained stable with $1.5 million of nonperforming assets, representing a 0.17% nonperforming assets-to-total-assets ratio. These results are comparable to the $1.4 million in nonperforming assets, a 0.15% ratio of nonperforming assets-to-total-assets held on December 31, 2022. The Company recorded a $240 thousand provision for credit losses in the first quarter of 2023 compared to releasing $550 thousand of provision in the first quarter of 2022. The allowance for credit losses decreased slightly to 1.42% of loans held for investment on March 31, 2023, compared to 1.43% on December 31, 2022.

The Company adopted ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, on January 1, 2023, and applied the standard as a cumulative effect adjustment to retained earnings. At adoption, the Company recorded a $125 thousand increase to the allowance for credit losses, which was comprised of a $64 thousand decrease in the allowance for loan losses and a $189 thousand increase to the allowance for unfunded commitments. The after-tax impact resulted in a $94 thousand decrease to retained earnings. The tax effect resulted in an increase to deferred tax assets.

Non-interest income for the first quarter of 2023 was $3.6 million, compared to $5.5 million in the 2022 first quarter. The decrease was driven by a reduction in mortgage banking revenues to $1.9 million in the first quarter of 2023 versus $4.1 million in the same prior-year period. Consistent with the overall performance of the industry, the Company's mortgage business was negatively impacted by higher interest rates and higher home values which impacted both purchase and refinance originations. BNC funded 338 mortgage loans in the first quarter of 2023 with combined balances of $137.6 million. That compares to funding 760 mortgage loans with combined balances of $300.2 million in the first quarter of 2022. Bank charges and service fees were $492 thousand higher quarter-over-quarter due to higher letter of credit fees and from the movement of deposits to one-way sell positions. Through the use of an associated banking network, the Company is able to generate fee income on deposits that are not otherwise deployed. The deposits are placed with another financial institution by the associated banking network to meet their liquidity needs, but can be recaptured for future liquidity use by the Company at any time. Finally, despite healthy growth in new assets, wealth management revenues decreased $49 thousand, or 9.1%, largely due to elevated distributions and a decrease in asset values during 2022. Assets under administration were $368.6 million at March 31, 2023 compared to $396.0 million at March 31, 2022.

Non-interest expense for the first quarter of 2023 decreased $1.1 million, or 10.3%, to $9.9 million from $11.0 million in the first quarter of 2022. Non-interest expenses related to mortgage operations decreased by $1.7 million, or 31.4%, as management scaled down its operations to match marketplace opportunity. There were 68 full-time equivalent employees engaged in mortgage operations as of March 31, 2023 compared to 140 on March 31, 2022. Combined expenses for community banking and the holding company increased by $515 thousand, or 8.9%, compared to the 2022 period primarily due to higher salary, data processing, and other expenses.

In the first quarter of 2023, income tax expense of $453 thousand was unchanged from the first quarter of 2022. Similarly, the effective tax rate in the first quarter of 2023 was 23.5%, unchanged from the same period of 2022.

Tangible book value per common share on March 31, 2023, was $29.14, compared to $28.19 at December 31, 2022. The increase in tangible book value per common share was driven by increased retained earnings and positive adjustments to the tax-effected fair value of debt securities available for sale as evidenced in the reduction of accumulated other comprehensive losses. The Company's tangible common equity capital ratio was 11.55% on March 31, 2023, compared to 10.63% on December 31, 2022.

Assets and Liabilities

Total assets were $897.3 million at March 31, 2023 versus $943.3 million at December 31, 2022.

Total loans held for investment were $630.2 million on March 31, 2023 compared to $616.6 million on December 31, 2022. Loans held for sale as of March 31, 2023, were $39.6 million, an increase of $1.8 million compared to December 31, 2022. Debt securities decreased $2.4 million from year-end 2022 while cash and cash equivalent balances totaled $15.9 million on March 31, 2023 compared to $74.0 million on December 31, 2022. The reduction in cash and cash equivalents during the quarter is due to increased funding of loans held for investment and the reduction in deposit balances.

Total deposits decreased $47.2 million to $772.4 million on March 31, 2023, from $819.6 million on December 31, 2022. 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:

	As of		
(In thousands)	**March 31, 2023**	**December 31, 2022**	**March 31, 2022**
Deposits:			
Non-interest-bearing	$ 195,125	$ 207,232	$ 190,130
Interest-bearing –			
Savings, interest checking and money market	525,644	554,577	593,403
Time deposits	51,609	57,775	70,872
Total on balance sheet deposits	772,378	819,584	854,405
Off-balance sheet deposits	124,971	187,407	62,794
Total available deposits	$ 897,349	$ 1,006,991	$ 917,199

The Company communicated actively with deposit customers in the recent quarter partly in response to national news regarding rate increases, larger regional bank failures, and deposit insurance. We remain highly focused on meeting the service needs of our customers and ensuring our deposit rates reflect changing market conditions. We estimate that deposit insurance and other deposit protection programs secure greater than 70% of our customer's deposit balances. This combined with our strong balance sheet and relationship focused culture has effectively allowed us to maintain a significant deposit base.

In the first quarter of 2023, non-interest bearing deposit balances decreased due to normal seasonal utilization and increased $5.0 million, or 2.6%, when compared to the prior year quarter. Savings, interest checking and money market decreased in the first quarter of 2023 primarily due to normal first quarter cash utilization patterns. The decrease in interest bearing balances when compared to March 31, 2022 is primarily due to BNC's increased utilization of an associated banking network to migrate larger deposit balances off balance sheet. The Company began utilizing the program late in the first quarter of 2022. The decrease in time deposit balances reflect scheduled attrition of maturing time deposits, partially offset by depositors that agreed to renew their time deposits.

Off-balance sheet accounts are primarily utilized to custody larger business customer deposits that require daily access to funds and provide for FDIC insurance coverage. The Company maintained $62.8 million of off balance sheet deposits late in the first quarter of 2022 and proceeded to further expand its use throughout 2022. These off-balance sheet deposits grew to $187.4 million at year-end 2022 and were $125.0 million at March 31, 2023. Off-balance sheet deposits can fluctuate greatly as our customers balance utilization demands evolve. The Company earns non-interest income through the associated banking network for the utilization of these funds.

Trust assets under administration increased 4.5%, or $15.9 million, to $368.6 million at March 31, 2023, from $352.7 million at December 31, 2022. During the first quarter of 2023, the Company benefited from acquiring new assets for administration coupled with market value increases.

Asset Quality

The allowance for credit losses was $8.9 million as of March 31, 2023, versus $8.8 million on December 31, 2022. The allowance as a percentage of loans held for investment on March 31, 2023 decreased slightly from 1.43% as of December 31, 2022 to 1.42% at current quarter end.

Past due loans for a period of 31-89 days increased to $1.7 million as of March 31, 2023, compared to $292 thousand as of December 31, 2022. Nonperforming assets, consisting of loans, decreased to $1.5 million on March 31, 2023, compared to $1.4 million on December 31, 2022. The ratio of nonperforming assets-to-total-assets was 0.17% at March 31, 2023 and 0.15% at December 31, 2022. As of March 31, 2023, the Company did not hold any other real estate and held $64 thousand in repossessed assets, both metrics unchanged from December 31, 2022.

As of March 31, 2023, classified loans increased to $4.1 million with $1.5 million of loans on non-accrual. These results compare to year-end 2022 where the Company reported $3.6 million of classified loans and $1.4 million of loans on non-accrual. Similarly, as of March 31, 2023, the Company had $2.3 million of potentially problematic loans, which are risk rated as “watch list”, compared with $2.5 million of such loans as of December 31, 2022.

The Company continues to monitor the lingering but diminishing effects of the pandemic and its impact on customers. Additional macroeconomic and geopolitical factors have emerged in recent months and are being monitored for their possible impact on the performance of the loan portfolio.

BNC’s loans held for investment are geographically concentrated in North Dakota and Arizona, comprising 59% and 25%, 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 have recently caused an increase in oil prices to the benefit of the oil industry and ancillary services. Potential risks to North Dakota’s energy industry include the possibility of adverse legislation and changes in economic conditions that reduce energy demand. Depending on the severity of their impact, these factors could present potential challenges to credit quality in North Dakota.

The Arizona economy is 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, 2023 and December 31, 2022, respectively:

Loans Held for Investment by Industry Sector (in thousands)	**March 31, 2023**			**December 31, 2022**		
Non-owner occupied commercial real estate – not otherwise categorized	$ 190,282	30	%	$ 177,674	29	%
Hotels	88,361	14		91,388	15	
Consumer, not otherwise categorized	86,564	14		85,648	14	
Retail trade	36,461	6		36,607	6	
Healthcare and social assistance	32,614	5		33,327	5	
Agriculture, forestry, fishing and hunting	27,306	4		30,641	5	
Transportation and warehousing	24,545	4		23,951	4	
Non-hotel accommodation and food service	23,422	4		21,538	4	
Mining, oil and gas extraction	22,957	4		22,480	4	
Art, entertainment and recreation	18,267	3		19,024	3	
Construction contractors	13,373	2		11,124	2	
Other service	13,042	2		11,810	2	
Real estate and rental and leasing support services	9,438	2		9,233	1	
Professional, scientific, and technical services	9,014	1		8,209	1	
Public administration	8,238	1		8,316	1	
Manufacturing	8,000	1		7,572	1	
Finance and insurance	5,287	1		5,022	1	
Educational services	4,390	1		4,435	1	
All other	7,742	1		7,650	1	
Gross loans held for investment	$ 629,303	100	%	$ 615,649	100	%

The Company's loans to the hospitality industry have shown signs of improved credit quality that are reflected by improved hotel occupancy and restaurant utilization trends. Hotel operators in BNC's loan portfolio are reporting positive trends and, in some cases, stronger balance sheets. Despite these positive indications, labor shortages limit the ability of the industry to fully capitalize on these trends and the potential for inflationary impacts on travel and leisure activities continue to be closely monitored. As of March 31, 2023, the Company's loans related to office space were 3.3% of loans held for investment, concentrated in North Dakota, with only 0.2% within the Arizona market.

While the Company's loan portfolio and credit risk may still be subject to pandemic-related risks, management believes that this potential risk remains qualitatively captured in the Company's allowance for credit losses.

Capital

Banks and bank holding companies operate under separate regulatory capital requirements. As of March 31, 2023, the Company's capital ratios exceeded all regulatory capital thresholds, including the capital conservation buffer.

A summary of BNC's capital ratios at March 31, 2023, and December 31, 2022, is presented below:

	March 31, 2023	December 31, 2022
BNCCORP, INC. (Consolidated)		
Tier 1 leverage	14.12%	13.99%
Common equity tier 1 risk based capital	14.18%	14.48%
Tier 1 risk based capital	16.06%	16.43%
Total risk based capital	17.18%	17.57%
Tangible common equity	11.55%	10.63%
BNC National Bank		
Tier 1 leverage	12.17%	11.97%
Common equity tier 1 risk based capital	13.84%	14.04%
Tier 1 risk based capital	13.84%	14.04%
Total risk based capital	14.96%	15.19%
Tangible common equity	11.21%	10.28%

The Common Equity Tier 1 ratio, which is generally a comparison of a bank's core equity capital to its total risk weighted assets, is a measure of the current risk profile of the Bank's asset base from a regulatory perspective. The Tier 1 leverage ratio, which is based on average assets, does not consider the mix of risk-weighted assets.

The Company regularly evaluates the sufficiency of its capital to ensure compliance with regulatory capital standards and to serve as a source of strength for the Bank. The Company manages capital by assessing the composition of capital and the amounts available for growth, risk, or other purposes.

The Company made an election at the adoption of BASEL III to exclude changes in accumulated other comprehensive income from the calculation of regulatory ratios.

The Company currently has an outstanding 175,000 share repurchase authorization with no expiration date set on the authorization. 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. No share repurchases have been made under the authorization as of March 31, 2023.

About BNCCORP, INC.

BNCCORP, INC., headquartered in Bismarck, N.D., is a registered bank holding company dedicated to providing banking and wealth management services to businesses and consumers in its local markets. The Company operates community banking and wealth management businesses in North Dakota and Arizona from 11 locations. BNC also conducts mortgage banking from 7 locations in Illinois, Kansas, Arizona and North Dakota.

This news release may contain "forward-looking statements" within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 with respect to the financial condition, results of operations, plans, objectives, future performance and business of BNC. Forward-looking statements, which may be based upon beliefs, expectations and assumptions of our management and on information currently available to management are generally identifiable by the use of words such as “expect”, “believe”, “anticipate”, “at the present time”, “plan”, “optimistic”, “intend”, “estimate”, “may”, “will”, “would”, “could”, “should”, “future” and other expressions relating to future periods. Examples of forward-looking statements include, among others, statements we make regarding our expectations regarding future market conditions and our ability to capture opportunities and pursue growth strategies, our expected operating results such as revenue growth and earnings and our expectations of the effects of the regulatory environment or current or future pandemics on our earnings for the foreseeable future. Forward-looking statements are neither historical facts nor assurances of future performance. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, but are not limited to: the impact of pandemics, the impact of current and future regulation; the risks of loans and investments, including dependence on local and regional economic conditions; competition for our customers from other providers of financial services; possible adverse effects of changes in interest rates, including the effects of such changes on mortgage banking revenues and derivative contracts and associated accounting consequences; risks associated with our acquisition and growth strategies; and other risks which are difficult to predict and many of which are beyond our control. In addition, all statements in this news release, including forward-looking statements, speak only of the date they are made, and the Company undertakes no obligation to update any statement in light of new information or future events.

This press release contains references to financial measures, which are not defined in GAAP. Such non-GAAP financial measures include tangible common equity to total period end assets ratio. These non-GAAP financial measures have been included as the Company believes they are helpful for investors to analyze and evaluate the Company’s financial condition.

(Financial tables attached)

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BNCCORP, INC.
CONSOLIDATED FINANCIAL DATA
(Unaudited)

	For the Quarter Ended,		
(In thousands, except per share data)	March 31, 2023	December 31, 2022	March 31, 2022
INCOME STATEMENT			
Interest income	$ 10,006	$ 9,666	$ 7,301
Interest expense	1,565	1,102	392
Net interest income	8,441	8,564	6,909
Provision (credit) for credit losses	240	250	(550)
Net interest income after provision (credit) for credit losses	8,201	8,314	7,459
Non-interest income			
Bank charges and service fees	1,092	1,151	600
Wealth management revenues	487	464	536
Mortgage banking revenues	1,856	1,067	4,142
Gains on sales of loans, net	8	20	20
Gains on sales of debt securities, net	12	-	-
Other	176	671	214
Total non-interest income	3,631	3,373	5,512
Non-interest expense			
Salaries and employee benefits	4,943	4,864	5,941
Professional services	897	714	950
Data processing fees	989	988	973
Marketing and promotion	1,369	1,272	1,355
Occupancy	512	583	583
Regulatory costs	106	108	119
Depreciation and amortization	293	304	311
Office supplies and postage	96	109	110
Other	701	991	703
Total non-interest expense	9,906	9,933	11,045
Income before taxes	1,926	1,754	1,926
Income tax expense	453	284	453
Net income	$ 1,473	$ 1,470	$ 1,473
WEIGHTED AVERAGE SHARES			
Common shares outstanding (a)	3,575,520	3,573,848	3,572,405
Dilutive effect of share-based compensation	2,317	1,087	960
Adjusted weighted average shares (b)	3,577,837	3,574,935	3,573,365
EARNINGS PER SHARE DATA			
Basic earnings per common share	$ 0.41	$ 0.41	$ 0.41
Diluted earnings per common share	$ 0.41	$ 0.41	$ 0.41

(a) Denominator for basic earnings per common share
(b) Denominator for diluted earnings per common share

BNCCORP, INC.
CONSOLIDATED FINANCIAL DATA
(Unaudited)

(In thousands, except share, per-share and full-time equivalent data)	As of March 31, 2023	As of December 31, 2022	As of March 31, 2022
BALANCE SHEET DATA			
Cash and cash equivalents	$ 15,902	$ 73,968	$ 155,020
Debt securities available for sale	172,507	174,876	196,030
FRB and FHLB stock	2,938	3,063	3,063
Loans held for sale-mortgage banking	39,599	37,764	61,821
Loans held for investment	630,209	616,645	532,182
Allowance for credit losses (1)	(8,936)	(8,831)	(8,475)
Net loans held for investment	621,273	607,814	523,707
Premises and equipment, net	11,527	11,764	12,225
Operating lease right of use asset	1,393	1,521	1,957
Accrued interest receivable	3,180	3,312	2,483
Other	28,971	29,239	30,850
Total assets	$ 897,290	$ 943,321	$ 987,156
Deposits:			
Non-interest-bearing	$ 195,125	$ 207,232	$ 190,130
Interest-bearing –			
Savings, interest checking and money market	525,644	554,577	593,403
Time deposits	51,609	57,775	70,872
Total deposits	772,378	819,584	854,405
Short-term borrowings	9	-	26
Guaranteed preferred beneficial interest in Company's subordinated debentures	15,000	15,000	15,001
Accrued interest payable	380	312	198
Accrued expenses	3,801	5,482	5,070
Operating lease liabilities	1,525	1,660	2,112
Other	427	937	395
Total liabilities	793,520	842,975	877,207
Common stock	36	36	36
Capital surplus – common stock	26,599	26,399	26,117
Retained earnings	88,954	87,575	88,851
Treasury stock	(1,664)	(1,622)	(1,637)
Accumulated other comprehensive income, net	(10,155)	(12,042)	(3,418)
Total stockholders' equity	103,770	100,346	109,949
Total liabilities and stockholders' equity	$ 897,290	$ 943,321	$ 987,156
OTHER SELECTED DATA			
Trust assets under administration	$ 368,558	$ 352,677	$ 396,032
Core deposits (2)	$ 772,387	$ 819,584	$ 854,431
Tangible book value per common share (3)	$ 29.14	$ 28.19	$ 30.91
Tangible book value per common share excluding accumulated other comprehensive income, net	$ 31.99	$ 31.58	$ 31.87
Full time equivalent employees	212	206	281
Common shares outstanding	3,561,334	3,559,334	3,557,383

(1) The Company adopted ASU 2016-13 as of January 1, 2023. The prior year amounts presented are calculated under the prior accounting standard.
(2) Core deposits consist of all deposits and repurchase agreements with customers.
(3) Tangible book value per common share is equal to book value per common share.

BNCCORP, INC.
CONSOLIDATED FINANCIAL DATA
(Unaudited)

SEGMENT DATA
(in thousands)

	For the Quarter Ended March 31, 2023				
	Community Banking	Mortgage Banking	Holding Company	Intercompany Eliminations	BNCCORP Consolidated
Net interest income (expense)	$ 8,497	$ 155	$ (211)	$ -	$ 8,441
Provision for credit losses	240	-	-	-	240
Non-interest income	2,227	1,847	550	(993)	3,631
Non-interest expense	6,511	3,614	774	(993)	9,906
Income (loss) before taxes	3,973	(1,612)	(435)	-	1,926
Income tax expense (benefit)	955	(400)	(102)	-	453
Net income (loss)	$ 3,018	$ (1,212)	$ (333)	$ -	$ 1,473

	For the Quarter Ended March 31, 2022				
	Community Banking	Mortgage Banking	Holding Company	Intercompany Eliminations	BNCCORP Consolidated
Net interest income (expense)	$ 6,515	$ 449	$ (55)	$ -	$ 6,909
Credit for credit losses	(550)	-	-	-	(550)
Non-interest income	1,914	4,140	511	(1,053)	5,512
Non-interest expense	6,117	5,268	713	(1,053)	11,045
Income (loss) before taxes	2,862	(679)	(257)	-	1,926
Income tax expense (benefit)	681	(168)	(60)	-	453
Net income (loss)	$ 2,181	$ (511)	$ (197)	$ -	$ 1,473

AVERAGE BALANCE, YIELD EARNED,AND COST PAID
(dollars in thousands)

	For the Quarter Ended March 31, 2023			For the Quarter Ended March 31, 2022			Quarter-Over-Quarter Comparison		
							Change Due to		
	Average Balance	Interest Earned or Paid	Average Yield or Cost	Average Balance	Interest Earned or Paid	Average Yield or Cost	Rate	Volume	Total
Assets									
Interest-bearing due from banks	$ 40,235	$ 435	4.38%	$ 211,683	$ 87	0.17%	$ 473	$ (125)	$ 348
FRB and FHLB stock	3,078	36	4.74%	3,094	36	4.72%	-	-	-
Debt securities available for sale	174,532	1,376	3.20%	204,362	1,011	2.01%	524	(159)	365
Loans held for sale-mortgage banking	28,989	399	5.58%	60,002	424	2.87%	267	(292)	(25)
Loans held for investment	623,266	7,760	5.05%	529,198	5,743	4.40%	941	1,076	2,017
Allowance for credit losses	(8,764)	-	0.00%	(9,042)	-	0.00%	-	-	-
Total	$ 861,336	$ 10,006	4.71%	$ 999,297	$ 7,301	2.96%	$ 2,205	$ 500	$ 2,705
Liabilities									
Interest checking and money market	488,887	$ 1,240	1.03%	603,752	$ 243	0.16%	1,085	$ (88)	$ 997
Savings	52,961	11	0.08%	50,777	5	0.04%	6	-	6
Time deposits	53,714	77	0.60%	72,592	85	0.47%	18	(26)	(8)
Short-term borrowings	792	6	3.07%	235	-	0.00%	3	3	6
Subordinated debentures	15,000	231	6.25%	15,001	59	1.60%	172	-	172
Total	$ 611,354	$ 1,565	1.04%	$ 742,357	$ 392	0.21%	$ 1,284	$ (111)	$ 1,173
Net Interest Income		$ 8,441			$ 6,909				
Net Interest Spread			3.67%			2.75%			
Net Interest Margin			3.97%			2.80%			

BNCCORP, INC.
CONSOLIDATED FINANCIAL DATA
(Unaudited)

(In thousands)	For the Quarter Ended March 31, 2023	2022
OTHER AVERAGE BALANCES		
Total assets	$ 916,631	$ 1,054,538
Core deposits	791,970	915,675
Total equity	102,774	114,547
KEY RATIOS		
Return on average common stockholders' equity (a)	5.26%	5.28%
Return on average assets (b)	0.65%	0.57%
Efficiency ratio (Consolidated)	82.06%	88.92%
Efficiency ratio (Bank)	78.96%	87.00%

(a) Return on average common stockholders' equity is calculated by using net income as the numerator and average common equity (less accumulated other comprehensive income (loss)) as the denominator.
(b) Return on average assets is calculated by using net income as the numerator and average total assets as the denominator.

BNCCORP, INC.
CONSOLIDATED FINANCIAL DATA
(Unaudited)

(In thousands)	As of March 31, 2023	As of December 31, 2022	As of March 31, 2022
ASSET QUALITY			
Loans 90 days or more delinquent and accruing interest	$ -	$ 1	$ -
Non-accrual loans	1,469	1,354	1,466
Total nonperforming loans	$ 1,469	$ 1,355	$ 1,466
Repossessed assets, net	64	64	-
Total nonperforming assets	$ 1,533	$ 1,419	$ 1,466
Allowance for credit losses	$ 8,936	$ 8,831	$ 8,475
Troubled debt restructured loans (1)		$ 926	$ 1,006
Ratio of total nonperforming loans to total loans	0.22%	0.21%	0.25%
Ratio of total nonperforming assets to total assets	0.17%	0.15%	0.15%
Ratio of nonperforming loans to total assets	0.16%	0.14%	0.15%
Ratio of allowance for credit losses to loans held for investment	1.42%	1.43%	1.59%
Ratio of allowance for credit losses to total loans	1.33%	1.35%	1.43%
Ratio of allowance for credit losses to nonperforming loans	608%	652%	578%

(1) The Company adopted ASU 2022-02 as of January 1, 2023, thereby removing disclosure requirements for trouble debt restructured loans. Historical comparative period information is being provided for reference.

(In thousands)	For the Quarter Ended March 31, 2023	For the Quarter Ended March 31, 2022
Changes in Nonperforming Loans:		
Balance, beginning of period	$ 1,355	$ 1,673
Additions to nonperforming	211	73
Charge-offs	(7)	(47)
Reclassified back to performing	(1)	(165)
Principal payments received	(74)	(68)
Transferred to repossessed assets	(15)	-
Balance, end of period	$ 1,469	$ 1,466

BNCCORP, INC.
CONSOLIDATED FINANCIAL DATA
(Unaudited)

(In thousands)	For the Quarter Ended March 31, 2023	2022
Changes in Allowance for Credit Losses: (1)		
Balance, beginning of period	$ 8,831	$ 9,080
Cumulative effect of CECL adoption	125	-
Provision (credit)	240	(550)
Loans charged off	(57)	(69)
Loan recoveries	6	14
Balance, end of period	$ 9,145	$ 8,475
Components:		
Allowance for loan losses	$ 8,936	$ 8,475
Allowance for unfunded commitments	$ 209	$ -
Ratio of net charge-offs to average total loans	(0.008)%	(0.009)%
Ratio of net charge-offs to average total loans, annualized	(0.031)%	(0.037)%

(1) The Company adopted ASU 2016-13 as of January 1, 2023. The prior year amounts presented are calculated under the prior accounting standard.

(In thousands)	As of March 31, 2023	December 31, 2022	March 31, 2022
CREDIT CONCENTRATIONS			
North Dakota			
Commercial and industrial	$ 61,169	$ 61,784	$ 45,651
Construction	16,636	13,930	11,280
Agricultural	27,559	30,799	27,188
Land and land development	6,312	6,524	15,030
Owner-occupied commercial real estate	33,828	34,683	38,884
Commercial real estate	124,686	114,937	107,535
Small business administration	18,194	18,671	16,984
Consumer	80,288	81,026	68,642
Subtotal gross loans held for investment	$ 368,672	$ 362,354	$ 331,194
Consolidated			
Commercial and industrial	$ 96,383	$ 96,389	$ 69,909
Construction	28,923	24,690	21,324
Agricultural	27,609	30,850	27,505
Land and land development	8,082	10,758	16,718
Owner-occupied commercial real estate	76,215	78,190	75,001
Commercial real estate	241,313	230,243	197,458
Small business administration	53,360	48,638	44,133
Consumer	97,418	95,891	79,450
Total gross loans held for investment	$ 629,303	$ 615,649	$ 531,498