Quarterly Report

For the quarter ended September 30, 2025

BNCCORP, INC.

(OTCQX: BNCC)

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BNCCORP, INC.
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September 30, 2025

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Financial Statements

BNCCORP, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(In thousands, except share data)

	September 30, 2025	December 31, 2024
ASSETS	(unaudited)	
Cash and cash equivalents	$ 115,611	$ 100,815
Debt securities available for sale	118,415	129,522
Federal Reserve Bank and Federal Home Loan Bank stock	2,386	2,387
Loans held for investment	732,833	698,724
Allowance for credit losses	(9,313)	(9,223)
Net loans held for investment	723,520	689,501
Premises and equipment, net	10,312	10,893
Operating lease right of use asset	607	618
Accrued interest receivable	4,444	4,108
Other	28,182	28,837
Total assets	$ 1,003,477	$ 966,681
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Deposits:		
Non-interest-bearing	$ 178,027	$ 172,456
Interest-bearing –		
Savings, interest checking and money market	591,166	579,608
Time deposits	109,342	85,436
Total deposits	878,535	837,500
Guaranteed preferred beneficial interest in Company's subordinated debentures	15,464	15,464
Accrued interest payable	1,611	1,248
Accrued expenses	2,455	2,832
Operating lease liabilities	673	700
Dividends payable	-	14,304
Other	1,002	966
Total liabilities	899,740	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	27,150	26,904
Retained earnings	85,248	78,667
Treasury stock (144,778 and 142,278 shares, respectively)	(2,666)	(2,696)
Accumulated other comprehensive loss	(6,032)	(9,244)
Total stockholders' equity	103,737	93,667
Total liabilities and stockholders' equity	$ 1,003,477	$ 966,681

See accompanying notes to consolidated financial statements.

BNCCORP, INC. AND SUBSIDIARIES
Consolidated Statements of Income
(In thousands, except per share data, unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2025	**2024**	**2025**	**2024**
INTEREST INCOME:				
Interest and fees on loans	$ 11,329	$ 9,649	$ 32,007	$ 28,273
Interest and dividends on investments				
Taxable	1,996	1,957	5,781	6,190
Dividends	37	38	108	109
Total interest income	13,362	11,644	37,896	34,572
INTEREST EXPENSE:				
Deposits	4,266	3,697	12,049	10,643
Subordinated debentures	227	268	675	794
Total interest expense	4,493	3,965	12,724	11,437
Net interest income	8,869	7,679	25,172	23,135
PROVISION FOR CREDIT LOSSES:	165	110	490	355
Net interest income after provision for credit losses	8,704	7,569	24,682	22,780
NON-INTEREST INCOME:				
Bank charges and service fees	713	728	2,067	2,295
Wealth management revenues	534	510	1,547	1,510
Gains on sales of loans, net	3	7	116	10
Other	137	169	471	605
Total non-interest income	1,387	1,414	4,201	4,420
NON-INTEREST EXPENSE:				
Salaries and employee benefits	3,760	3,569	11,716	11,381
Professional services	368	264	1,021	782
Data processing fees	874	898	2,545	2,605
Marketing and promotion	243	212	607	594
Occupancy	347	387	1,152	1,155
Regulatory costs	136	137	401	409
Depreciation and amortization	271	276	815	815
Office supplies and postage	86	83	282	281
Other	564	450	1,741	1,765
Total non-interest expense	6,649	6,276	20,280	19,787
Income before income taxes	3,442	2,707	8,603	7,413
Income tax expense	809	636	2,022	1,742
NET INCOME	$ 2,633	$ 2,071	$ 6,581	$ 5,671
Basic earnings per common share	$ 0.74	$ 0.59	$ 1.86	$ 1.60
Diluted earnings per common share	$ 0.74	$ 0.59	$ 1.86	$ 1.60

See accompanying notes to consolidated financial statements.

BNCCORP, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(In thousands, unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2025	**2024**	**2025**	**2024**
NET INCOME	$ 2,633	$ 2,071	$ 6,581	$ 5,671
Unrealized gain on debt securities available for sale	$ 1,146	$ 4,413	$ 4,260	$ 3,525
Reclassification adjustment for gains included in net income	-	-	-	-
Other comprehensive income before tax	1,146	4,413	4,260	3,525
Income tax expense related to items of other comprehensive income	(282)	(1,086)	(1,048)	(867)
Other comprehensive income	$ 864	$ 3,327	$ 3,212	$ 2,658
TOTAL COMPREHENSIVE INCOME	$ 3,497	$ 5,398	$ 9,793	$ 8,329

See accompanying notes to consolidated financial statements.

BNCCORP, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity
For the Nine Months Ended September 30,
(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	-	-	-	5,671	-	-	5,671
Other comprehensive loss	-	-	-	-	-	2,658	2,658
Impact of share-based compensation	2,500	-	310	-	4	-	314
Common stock repurchased	(50,000)	(1)	-	-	(1,163)	-	(1,164)
Dividends declared on common stock ($2.25)	-	-	-	(8,143)	-	-	(8,143)
BALANCE, September 30, 2024	3,521,710	$ 35	$ 26,882	$ 90,714	$ (2,687)	$ (7,190)	$ 107,754
BALANCE, December 31, 2024	3,521,375	$ 36	$ 26,904	$ 78,667	$ (2,696)	$ (9,244)	$ 93,667
Net income	-	-	-	6,581	-	-	6,581
Other comprehensive income	-	-	-	-	-	3,212	3,212
Impact of share-based compensation	2,500	1	246	-	30	-	277
BALANCE, September 30, 2025	3,523,875	$ 37	$ 27,150	$ 85,248	$ (2,666)	$ (6,032)	$ 103,737

See accompanying notes to consolidated financial statements.

BNCCORP, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Nine Months Ended September 30,
(In thousands, unaudited)

	2025	2024
OPERATING ACTIVITIES:		
Net income	$ 6,581	$ 5,671
Adjustments to reconcile net income to net cash provided by operating activities -		
Provision for credit losses	490	355
Depreciation	815	815
Amortization of right of use asset	275	253
Net amortization of premiums on debt securities and subordinated debentures	1,050	1,057
Share-based compensation	277	314
Change in accrued interest receivable and other assets, net	(993)	(645)
Loss on sale of bank premises and equipment	2	-
Change in other liabilities, net	40	(1,718)
Gain on sales of loans, net	(116)	(10)
Net cash provided by operating activities	8,421	6,092
INVESTING ACTIVITIES:		
Proceeds from maturities of debt securities	14,317	26,646
Purchases of Federal Reserve and Federal Home Loan Bank Stock	(5)	(15)
Sales of Federal Reserve and Federal Home Loan Bank Stock	6	-
Net increase in loans held for investment	(34,438)	(14,531)
Purchases of premises and equipment	(236)	(753)
Net cash (used in) provided by investing activities	(20,356)	11,347
FINANCING ACTIVITIES:		
Net increase (decrease) in deposits	41,035	(41,376)
Repayments of Federal Home Loan Bank advances	(101)	-
Proceeds from Federal Home Loan Bank advances	101	-
Dividends paid on common stock	(14,304)	(8,143)
Common stock repurchase	-	(1,164)
Net cash provided by (used in) financing activities	26,731	(50,683)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,796	(33,244)
CASH AND CASH EQUIVALENTS, beginning of period	100,815	102,454
CASH AND CASH EQUIVALENTS, end of period	$ 115,611	$ 69,210
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	$ 12,361	$ 11,138
Income taxes paid	$ 2,061	$ 2,145
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Additions to repossessed assets in the settlement of loans	$ 111	$ 88
Right of use assets obtained in exchange for lease obligations	$ 263	$ 23

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 September 30, 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 September 30, 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 September 30, 2025			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. treasury securities	$ 10,949	$ -	$ (453)	$ 10,496
U.S. government sponsored entity mortgage-backed securities issued by FNMA/FHLMC	17,738	-	(2,594)	15,144
U.S. government agency small business administration pools guaranteed by SBA	7,543	-	(494)	7,049
Collateralized mortgage obligations guaranteed by GNMA	5,232	-	(118)	5,114
Collateralized mortgage obligations issued by FNMA/FHLMC	42,934	65	(3,379)	39,620
Commercial mortgage-backed securities issued by FHLMC	16,482	-	(673)	15,809
Other commercial mortgage-backed securities	18,975	-	(1,037)	17,938
State and municipal bonds	8,042	-	(797)	7,245
	$ 127,895	$ 65	$ (9,545)	$ 118,415

	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 September 30, 2025, were as follows (in thousands):

	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 4,985	$ 4,861
Due after one year through five years	24,700	23,920
Due after five years through 10 years	26,294	25,319
Due after 10 years	71,916	64,315
Total	$ 127,895	$ 118,415

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):

	September 30, 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	$ 10,497	$ (453)	3	$ 10,497	$ (453)
U.S. government sponsored entity mortgage-backed securities issued by FNMA/FHLMC	-	-	-	8	15,144	(2,594)	8	15,144	(2,594)
U.S. government agency small business administration pools guaranteed by SBA	-	-	-	4	7,049	(494)	4	7,049	(494)
Collateralized mortgage obligations guaranteed by GNMA	-	-	-	8	5,113	(118)	8	5,113	(118)
Collateralized mortgage obligations issued by FNMA/ FHLMC	-	-	-	14	32,682	(3,379)	14	32,682	(3,379)
Commercial mortgage-backed securities issued by FHLMC	-	-	-	3	15,809	(673)	3	15,809	(673)
Other commercial mortgage-backed securities	-	-	-	8	17,937	(1,037)	8	17,937	(1,037)
State and municipal bonds	-	-	-	2	7,245	(797)	2	7,245	(797)
Total temporarily impaired securities	-	$ -	$ -	50	$ 111,476	$ (9,545)	50	$ 111,476	$ (9,545)

	December 31, 2024								
	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	$ 10,130	$ (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 September 30, 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):

	September 30, 2025	December 31, 2024
Commercial and industrial	$ 251,801	$ 231,441
Commercial real estate	250,639	244,364
SBA	91,741	84,799
Consumer	120,524	120,032
Land and land development	9,358	11,243
Construction	8,047	5,903
Gross loans held for investment	732,110	697,782
Unearned income and net unamortized deferred fees and costs	723	942
Loans, net of unearned income and unamortized fees and costs	732,833	698,724
Allowance for credit losses	(9,313)	(9,223)
Net loans held for investment	$ 723,520	$ 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 September 30, 2025						
	Commercial and Industrial	Commercial Real Estate	SBA	Consumer	Land and Land Development	Construction	Total
Balance, beginning of period	$ 3,178	$ 3,127	$ 1,203	$ 1,295	$ 156	$ 191	$ 9,150
Provision (credit)	160	116	(9)	(46)	11	(77)	155
Loans charged off	-	-	(21)	(12)	-	-	(33)
Loan recoveries	-	-	1	40	-	-	41
Balance, end of period	$ 3,338	$ 3,243	$ 1,174	$ 1,277	$ 167	$ 114	$ 9,313

	Three Months Ended September 30, 2024						
	Commercial and Industrial	Commercial Real Estate	SBA	Consumer	Land and Land Development	Construction	Total
Balance, beginning of period	$ 3,326	$ 3,377	$ 1,220	$ 1,205	$ 220	$ 100	$ 9,448
Provision (credit)	10	15	79	72	(3)	(43)	130
Loans charged off	-	-	-	(54)	-	-	(54)
Loan recoveries	-	-	-	7	-	-	7
Balance, end of period	$ 3,336	$ 3,392	$ 1,299	$ 1,230	$ 217	$ 57	$ 9,531

The Company recorded a $165 thousand provision for credit losses in the third quarter of 2025. A provision of $155 thousand was recorded as an allowance for loan losses and $10 thousand was recorded as an allowance for unfunded commitments. This compares to a $110 thousand provision for credit losses in the third quarter of 2024. A provision

of $130 thousand was recorded as an allowance for loan losses and $20 thousand was recorded as a reduction in the allowance for unfunded commitments.

At September 30, 2025, the Company maintained an allowance for unfunded commitments of $120 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.

	Nine Months Ended September 30, 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)	348	9	160	32	(41)	27	535
Loans charged off	(140)	-	(275)	(82)	-	-	(497)
Loan recoveries	2	-	3	47	-	-	52
Balance, end of period	$ 3,338	$ 3,243	$ 1,174	$ 1,277	$ 167	$ 114	$ 9,313

	Nine Months Ended September 30, 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)	(42)	24	285	286	48	(206)	395
Loans charged off	-	-	-	(183)	-	-	(183)
Loan recoveries	-	-	-	35	-	-	35
Balance, end of period	$ 3,336	$ 3,392	$ 1,299	$ 1,230	$ 217	$ 57	$ 9,531

The Company recorded a $490 thousand provision for credit losses in the nine months ended September 30, 2025. A provision of $535 thousand was recorded as an allowance for loan losses and $45 thousand was recorded as a reduction in the allowance for unfunded commitments. This compares to a $355 thousand provision for credit losses in the first nine months of 2024. A provision of $395 thousand was recorded as an allowance for loan losses and $40 thousand was recorded as a reduction in the allowance for unfunded commitments.

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. Credit 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 portfolio segments 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 credit 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							
September 30, 2025	**2025**	**2024**	**2023**	**2022**	**2021**	**Prior**	**Revolving Loans**	**Total**
Commercial and industrial								
Pass	$ 42,552	$ 51,380	$ 17,916	$ 49,885	$ 18,289	$ 39,785	$ 27,121	$ 246,928
Special mention	8	-	177	136	-	-	10	331
Substandard	-	-	2,794	237	-	1,275	-	4,306
Doubtful	-	-	-	236	-	-	-	236
Total commercial and industrial	$ 42,560	$ 51,380	$ 20,887	$ 50,494	$ 18,289	$ 41,060	$ 27,131	$ 251,801
Commercial and industrial loans:								
Current period gross write-offs:	$ -	$ -	$ -	$ 140	$ -	$ -	$ -	$ 140
Commercial Real Estate								
Pass	$ 23,388	$ 7,030	$ 42,629	$ 44,753	$ 43,726	$ 78,442	$ 4,729	$ 244,697
Special mention	-	-	-	450	-	3,042	2,450	5,942
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total commercial real estate	$ 23,388	$ 7,030	$ 42,629	$ 45,203	$ 43,726	$ 81,484	$ 7,179	$ 250,639
Commercial real estate:								
Current period gross write-offs:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Small Business Administration								
Pass	$ 15,180	$ 20,748	$ 9,682	$ 20,000	$ 8,098	$ 15,101	$ 761	$ 89,570
Special mention	-	-	144	325	383	129	-	981
Substandard	-	-	-	634	-	155	-	789
Doubtful	-	-	-	-	19	382	-	401
Total small business administration	$ 15,180	$ 20,748	$ 9,826	$ 20,959	$ 8,500	$ 15,767	$ 761	$ 91,741
Small business administration loans:								
Current period gross write-offs:	$ -	$ 1	$ -	$ -	$ -	$ 274	$ -	$ 275
Consumer								
Pass	$ 15,896	$ 20,667	$ 21,555	$ 20,637	$ 8,239	$ 14,086	$ 18,005	$ 119,085
Special mention	-	-	-	223	-	-	-	223
Substandard	-	152	868	8	141	47	-	1,216
Doubtful	-	-	-	-	-	-	-	-
Total consumer	$ 15,896	$ 20,819	$ 22,423	$ 20,868	$ 8,380	$ 14,133	$ 18,005	$ 120,524
Consumer loans:								
Current period gross write-offs:	$ 5	$ 11	$ 4	$ 28	$ 5	$ 29	$ -	$ 82
Land and Land Development								
Pass	$ 1,369	$ 768	$ 1,670	$ 957	$ 2,567	$ 291	$ 1,736	$ 9,358
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total land and land development	$ 1,369	$ 768	$ 1,670	$ 957	$ 2,567	$ 291	$ 1,736	$ 9,358
Land and land development loans:								
Current period gross write-offs:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Construction								
Pass	$ 864	$ -	$ 669	$ -	$ -	$ -	$ 6,514	$ 8,047
Special mention	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-
Total Construction	$ 864	$ -	$ 669	$ -	$ -	$ -	$ 6,514	$ 8,047
Construction loans:								
Current period gross write-offs:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total gross loans	$ 99,257	$ 100,745	$ 98,104	$ 138,481	$ 81,462	$ 152,735	$ 61,326	$ 732,110
Total gross write-offs:	$ 5	$ 12	$ 4	$ 168	$ 5	$ 303	$ -	$ 497

December 31, 2024	Term Loans by Origination Year							
	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):

	September 30, 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	$ 119,300	$ 855	$ -	$ 120,155	$ 3,029	$ 123,184
Agriculture	43,769	-	-	43,769	155	43,924
Owner-occupied commercial real estate	84,693	-	-	84,693	-	84,693
Commercial real estate	250,639	-	-	250,639	-	250,639
SBA	87,059	-	-	87,059	4,682	91,741
Consumer:						
Automobile	4,543	10	-	4,553	-	4,553
Home equity	17,479	-	-	17,479	95	17,574
1st mortgage	30,780	-	-	30,780	-	30,780
Other	66,977	540	2	67,519	98	67,617
Land and land development	9,358	-	-	9,358	-	9,358
Construction	8,047	-	-	8,047	-	8,047
Total gross loans	$ 722,644	$ 1,405	$ 2	$ 724,051	$ 8,059	$ 732,110

	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):

	September 30, 2025		
	Non-accrual loans with a related ACL	Non-accrual loans without a related ACL	Total Non-Accrual Loans
Commercial and industrial:			
Business loans	$ 2,794	$ 235	$ 3,029
Agriculture	155	-	155
SBA	4,172	510	4,682
Consumer:			
Home equity	95	-	95
Other	-	98	98
Total	$ 7,216	$ 843	$ 8,059

	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 September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Interest income that would have been recorded	$ 176	$ 81	$ 529	$ 225
Interest income recorded	-	-	-	-
Effect on interest income on loans	$ 176	$ 81	$ 529	$ 225

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 basis of loan modifications made to borrowers experiencing financial difficulty during the nine months ended September 30, 2025 and 2024 (dollars in thousands):

	September 30, 2025			
	Term Extension and Payment Deferment (1)	Term Extension, Payment Modification, Interest Rate Reduction (2)	Total	Percentage of Total Loans
Commercial and industrial	$ 43	$ 83	$ 126	0.0 %
SBA	64	-	64	0.0
Total	$ 107	$ 83	$ 190	0.0 %

(1) Modifications extended term by seven months and deferred payments up to seven months.
(2) Modifications extended terms up to four months, reduced payment, reduced interest rate to as low as 1.00%.

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

	September 30, 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	$ 44	$ 55	$ -	$ 99	0.0 %
SBA	989	-	3,949	4,938	0.7
Total	$ 1,033	$ 55	$ 3,949	$ 5,037	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 nine 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 as of September 30, 2025 and 2024 (dollars in thousands):

	As of September 30, 2025			
	Current	31-89 Days Past Due	90 Days or More Past Due	Total
Commercial and industrial	$ 83	$ -	$ 43	$ 126
SBA	-	-	64	64
Total	$ 83	$ -	$ 107	$ 190

	As of September 30, 2024			
	Current	31-89 Days Past Due	90 Days or More Past Due	Total
Commercial and industrial	$ 55	$ -	$ 44	$ 99
SBA	-	3,949	989	4,938
Total	$ 55	$ 3,949	$ 1,033	$ 5,037

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 September 30, 2025	
	Principal Balance	Specific Allowance
Commercial and industrial: Business loans	$ 4,304	$ 493
Commercial and industrial: Agriculture	155	20
SBA	4,619	470
Consumer: Home equity	47	8
Consumer: 1st mortgage	863	8
Consumer: Other	98	-
Total	$ 10,086	$ 999

	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 September 30, 2025	Nine Months Ended September 30, 2025
Denominator for basic earnings per share:		
Average common shares outstanding	3,541,774	3,541,215
Dilutive effect of stock compensation	1,401	1,174
Denominator for diluted earnings per share	3,543,175	3,542,389
Numerator (in thousands):		
Net income	$ 2,633	$ 6,581
Basic earnings per common share	$ 0.74	$ 1.86
Diluted earnings per common share	$ 0.74	$ 1.86

	Three Months Ended September 30, 2024	Nine Months Ended September 30, 2024
Denominator for basic earnings per share*:*		
Average common shares outstanding	3,533,413	3,547,895
Dilutive effect of stock compensation	1,193	4,167
Denominator for diluted earnings per share	3,534,606	3,552,062
Numerator (in thousands):		
Net income	$ 2,071	$ 5,671
Basic earnings per common share	$ 0.59	$ 1.60
Diluted earnings per common share	$ 0.59	$ 1.60

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	8,406	49,357

Following is a summary of restricted stock activities for the nine-month periods ending September 30:

	Nine Months Ended September 30, 2025		Nine Months Ended September 30, 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	-	-	(5,250)	40.15
Forfeited	-	-	-	-
Outstanding, end of period	3,750	23.10	5,000	23.10

The Company recognized share-based compensation expense of $7 thousand related to restricted stock for the three-month period ended September 30, 2025, and $22 thousand for the nine-month period ended September 30, 2025. The Company recognized share-based compensation expense of $24 thousand related to restricted stock for the three-month period ended September 30, 2024, and $73 thousand for the nine-month period ended September 30, 2024.

At September 30, 2025, the Company had $63 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 September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Service charges on deposits	$ 176	$ 149	$ 479	$ 447
Bankcard fees	271	273	790	825
Bank charges and service fees not within scope of ASC 606	266	306	798	1,023
Total bank charges and service fees	713	728	2,067	2,295
Wealth management revenue	534	510	1,547	1,510
Total wealth management revenues	534	510	1,547	1,510
Other	11	12	30	36
Other not within the scope of ASC 606 (a)	126	157	441	569
Total other	137	169	471	605
Other non-interest income not within the scope of ASC 606 (a)	3	7	116	10
Total non-interest income	$ 1,387	$ 1,414	$ 4,201	$ 4,420

(a) This revenue is not within the scope of ASC 606, and includes 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 September 30, 2025. Total receivables from revenue recognized under the scope of ASC 606 were $534 thousand as of September 30, 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 September 30, 2025				Nine Months Ended September 30, 2025
	Total	Level 1	Level 2	Level 3	Total Gains/(Losses)
ASSETS					
Debt securities available for sale	$ 118,415	$ 10,496	$ 107,919	$ -	$ -
Total assets at fair value	$ 118,415	$ 10,496	$ 107,919	$ -	$ -

	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	September 30, 2025		December 31, 2024	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:					
Cash and cash equivalents	Level 1	$ 115,611	115,611	$ 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	732,110	731,237	697,782	681,736
Accrued interest receivable	Level 2	4,444	4,444	4,108	4,108
		$ 854,551	853,678	$ 805,092	$ 789,046
Liabilities and Stockholders' Equity:					
Deposits, noninterest-bearing	Level 2	$ 178,027	178,027	$ 172,456	$ 172,456
Deposits, interest-bearing	Level 2	700,508	700,059	665,044	664,286
Accrued interest payable	Level 2	1,611	1,611	1,248	1,248
Guaranteed preferred beneficial interests in Company's subordinated debentures	Level 2	15,464	12,668	15,464	12,122
		$ 895,610	892,365	$ 854,212	$ 850,112
Financial instruments with off-balance-sheet risk:					
Commitments to extend credit	Level 2	$ -	149	$ -	$ 219
Standby and commercial letters of credit	Level 2	$ -	49	$ -	$ 29

NOTE 11 – Federal Home Loan Bank Advances

As of September 30, 2025, the Bank had no Federal Home Loan Bank (FHLB) advances outstanding. At September 30, 2025, the Bank had loans with unamortized principal balances of approximately $235.1 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 September 30, 2025, the Bank has the ability to draw advances up to approximately $135.9 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):

September 30, 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	$ 3,020	$ 1,800	$ -	$ 1,800
BNCCORP line	112,118	10,000	-	10,000
Total	$ 115,138	$ 11,800	$ -	$ 11,800

(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 September 30, 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. The interest rate paid on the securities is equal to the three-month SOFR plus 1.66%. The interest rate at September 30, 2025, and December 31, 2024, was 5.95% 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 has 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 or through September 30, 2025. As of September 30, 2025, 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 September 30, 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 September 30, 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
September 30, 2025								
Total Risk-Based Capital:								
Consolidated	$ 134,598	15.65%	$ 688,087	≥8.00%	$ N/A	N/A%	$ N/A	N/A%
BNC National Bank	127,106	14.79	68,732	≥8.00	85,915	10.00	41,191	4.79
Tier 1 Risk-Based Capital:								
Consolidated	125,176	14.55	51,607	≥6.00	N/A	N/A	N/A	N/A
BNC National Bank	117,684	13.70	51,549	≥6.00	68,732	8.00	48,952	5.70
Common Equity Tier 1 Risk-Based Capital:								
Consolidated	109,712	12.76	38,705	≥4.50	N/A	N/A	N/A	N/A
BNC National Bank	117,684	13.70	38,662	≥4.50	55,845	6.50	61,839	7.20
Tier 1 Leverage Capital:								
Consolidated	125,176	12.65	39,589	≥4.00	N/A	N/A	N/A	N/A
BNC National Bank	117,684	11.91	39,534	≥4.00	49,417	5.00	68,267	6.91
Tangible Common Equity (to total assets): (a)								
Consolidated	103,737	10.34	N/A	N/A	N/A	N/A	N/A	N/A
BNC National Bank	112,118	11.19	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 September 30, 2025, and 2024

The Company reported net income of $2.6 million, or $0.74 per diluted share, for the quarter compared to $2.1 million, or $0.59 per diluted share, in the third quarter of 2024.

Third quarter interest income increased $1.7 million, or 14.8%, to $13.4 million from $11.6 million in the third quarter of 2024. Average yield on interest-earning assets in the quarter improved to 5.62% from 5.31% in the third quarter of 2024 driven by a $49.6 million period-over-period increase in the average balance of loans held for investment and higher origination yields in addition to $36.6 million higher average cash and cash equivalent balances. Those increases were partially offset by lower yields on cash and cash equivalents and a lower average balance of debt securities during the quarter.

Interest expense in the third quarter of 2025 was $4.5 million, an increase of $528 thousand from the 2024 period. The cost of core deposits in the third quarter of 2025 rose to 1.94% versus 1.84% in the third quarter of 2024. The consolidated average balance of deposits increased by $73.6 million compared to the third quarter of 2024. The cost of interest-bearing liabilities was 2.49% during the third quarter of 2025, compared to 2.45% in the same period of 2024.

Net interest income for the third quarter of 2025 was $8.9 million, an increase of $1.2 million, or 15.5%, from the third quarter of 2024. Net interest margin was 3.73% in the third quarter of 2025 compared to 3.50% reported in the prior year period.

Non-interest income during the third quarter of 2025 was $1.4 million, relatively unchanged from the third quarter of 2024. Bank charges and service fees were $15 thousand lower quarter-over-quarter due to lower fees on lines of credit and reduced fee income from deposits held in one-way sell positions. Those reductions were partially offset by higher servicing revenue and overdraft charges. 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 September 30, 2025, off-balance sheet deposits were $20.5 million compared to $18.5 million as of December 31, 2024. Other income during the third quarter of 2025 was lower than the prior period due to reduced revenues from SBIC investments and losses on sales of repossessed assets.

Non-interest expense during the third quarter of 2025 increased $373 thousand, or 5.9%, period-over-period, primarily due to a $104 thousand increase in professional services expense, a $191 thousand increase in salary and employee benefit expenses, and an increase in other expense of $114 thousand. The increase in professional services expense is due to higher legal and consulting fees. The Company reported a modest increase in salary and employee benefits on a period-over-period basis. Merit-based and inflationary increases in salaries and employee benefits were partially offset by lower headcount. The increase in other expense is primarily due to the write-off of a servicing asset of $76 thousand due to an early loan payoff, a $30 thousand lower reversal of mortgage reserves, and higher correspondent bank charges, along with other increases, which were partially offset by lower director fees.

In the third quarter of 2025, consolidated income tax expense was $809 thousand, compared to $636 thousand in the third quarter of 2024. The Company maintained an effective tax rate of 23.5% for both periods presented.

Tangible book value per common share on September 30, 2025 was $29.44, compared to $26.60 at December 31, 2024. The Company's tangible common equity capital ratio increased to 10.34% as of September 30, 2025,

compared to 9.68% on December 31, 2024.

Comparison of Results for the Nine Months Ended September 30, 2025, and 2024

The Company reported net income of $6.6 million, or $1.86 per diluted share, for the first nine months of 2025 compared to $5.7 million, or $1.60 per diluted share, in the first nine months of 2024.

Interest income increased $3.3 million, or 9.6%, to $37.9 million in the first nine months of 2025 from $34.6 million in the first nine months of 2024. Average yield on interest-earning assets in the first nine months improved to 5.51% from 5.28% in the first nine months of 2024 driven by a $37.1 million period-over-period increase in the average balance of loans held for investment and higher origination yields and higher balances of cash and cash equivalents. Those increases were partially offset by lower yields on cash and cash equivalents and a lower average balance and yields on debt securities during the period.

Interest expense in the first nine months of 2025 was $12.7 million, an increase of $1.3 million from the 2024 period. The cost of core deposits in the first nine months of 2025 rose to 1.89% versus 1.77% in the first nine months of 2024. The consolidated average balance of deposits increased by $50.5 million compared to the first nine months of 2024. The cost of interest-bearing liabilities was 2.44% during the first nine months of 2025, compared to 2.38% in the same period of 2024.

Net interest income for the first nine months of 2025 was $25.2 million, an increase of $2.0 million, or 8.8%, from the first nine months of 2024. Net interest margin was 3.66% in the 2025 nine-month period compared to 3.53% reported in the prior year period.

Non-interest income in the first nine months of 2025 was $4.2 million compared to $4.4 million in the 2024 first nine months. Bank charges and service fees were $228 thousand lower period-over-period primarily due to lower letter of credit fees and interchange income, and a reduction in deposits held in one-way sell positions. During 2025, the Company recorded a one-time gain of $114 thousand on the sale of loans. Gains on sales of loans can vary period-over-period. Other income is lower than the prior period due to reduced revenues from SBIC investments and other miscellaneous items that were partially offset by higher gains on the sale of repossessed assets.

Non-interest expense during the first nine months of 2025 increased $493 thousand, or 2.5%, year-over-year, primarily due to a $239 thousand increase in professional services expense and higher salary and employee benefit expense. The Company reported a modest increase in salary and employee benefits of $335 thousand, or 2.9% year-over-year. Merit-based and inflationary increases in salaries and employee benefits were partially offset by lower headcount.

During the nine months ended September 30, 2025, consolidated income tax expense was $2.0 million, compared to $1.7 million in the first nine months of 2024. The Company maintained an effective tax rate of 23.5% for both periods presented.

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 September 30,									
	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	$ 95,483	$ 1,062	4.41%	$ 58,888	$ 800	5.40%	$ 36,595	$ 262	-0.99%	(a)
FHLB Stock	579	9	6.00%	580	10	7.15%	(1)	(1)	-1.15%	
Federal Reserve Stock	1,807	28	6.00%	1,807	28	6.02%	-	-	-0.02%	
Debt securities – taxable	119,686	934	3.10%	134,947	1,157	3.41%	(15,261)	(223)	-0.31%	(b)
Loans held for investment	735,614	11,329	6.11%	686,015	9,649	5.58%	49,599	1,680	0.53%	(c)
Allowance for loan losses	(9,174)	-	0.00%	(9,441)	-	0.00%	267	-	0.00%	
Total interest-earning assets	$ 943,995	$ 13,362	5.62%	$ 872,796	$ 11,644	5.31%	$ 71,199	$ 1,718	0.31%	
Interest-bearing liabilities										
Interest checking and money market	$ 551,712	$ 3,318	2.39%	$ 506,218	$ 2,979	2.33%	$ 45,494	$ 339	0.05%	(d)
Savings	41,073	11	0.11%	43,480	12	0.11%	(2,407)	(1)	0.00%	(d)
Certificates of deposit	106,401	937	3.50%	77,851	706	3.61%	28,550	231	-0.11%	(d)
Total interest-bearing deposits	699,186	4,266	2.42%	627,549	3,697	2.34%	71,637	569	0.08%	
Short-term borrowings	2	-	4.98%	2	-	6.00%	-	-	-1.02%	
Federal Home Loan Bank advances	-	-	0.00%	1	-	0.00%	(1)	-	0.00%	
Subordinated debentures	15,464	227	5.85%	15,464	268	6.90%	-	(41)	-1.05%	
Total borrowings	15,466	227	5.82%	15,467	268	6.87%	(1)	(41)	-1.05%	
Total interest-bearing liabilities	$ 714,652	4,493	2.49%	$ 643,016	3,965	2.45%	$ 71,636	528	0.04%	
Net interest income/spread		$ 8,869	3.12%		$ 7,679	2.85%		$ 1,190	0.27%	
Net interest margin			3.73%			3.50%			0.23%	
Notation:										
Non-interest-bearing deposits	$ 173,933	-	0.00%	$ 172,007	-	0.00%	$ 1,926	-	0.00%	(d)
Total deposits	$ 873,119	$ 4,266	1.94%	$ 799,556	$ 3,697	1.84%	$ 73,563	$ 569	0.10%	
Taxable equivalents:										
Total interest-earning assets	$ 943,995	$ 13,385	5.63%	$ 872,796	$ 11,678	5.32%	$ 71,199	$ 1,707	0.31%	
Net interest income/spread	-	$ 8,893	3.13%	-	$ 7,713	2.87%	-	$ 1,180	0.26%	
Net interest margin	-	-	3.74%	-	-	3.52%	-	-	0.22%	

(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 utilized 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 significant loan growth produced by the Company during the third quarter of 2025.

(d) Overall, average deposit balances increased. Deposit rates increased as the Company has experienced a higher volume and cost of certificates of deposit.

	Nine Months Ended September 30,									
	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	$ 86,616	$ 2,880	4.44%	$ 63,543	$ 2,596	5.46%	$ 23,073	$ 284	-1.02%	(a)
FHLB Stock	579	26	5.99%	576	27	6.32%	3	(1)	-0.33%	
Federal Reserve Stock	1,807	82	6.03%	1,807	82	6.03%	-	-	0.00%	
Debt securities – taxable	124,369	2,901	3.12%	139,848	3,594	3.43%	(15,479)	(693)	-0.31%	(b)
Loans held for investment	715,671	32,007	5.96%	678,529	28,273	5.55%	37,142	3,734	0.41%	(c)
Allowance for loan losses	(9,204)	-	0.00%	(9,385)	-	0.00%	181	-	0.00%	
Total interest-earning assets	$ 919,838	$ 37,896	5.51%	$ 874,918	$ 34,572	5.28%	$ 44,920	$ 3,324	0.23%	
Interest-bearing liabilities										
Interest checking and money market	$ 540,249	$ 9,423	2.32%	$ 511,758	$ 8,817	2.30%	$ 28,491	$ 606	0.03%	(d)
Savings	42,425	33	0.11%	43,277	35	0.11%	(852)	(2)	0.00%	(d)
Certificates of deposit	99,914	2,593	3.47%	72,653	1,791	3.29%	27,261	802	0.18%	(d)
Total interest-bearing deposits	682,588	12,049	2.36%	627,688	10,643	2.26%	54,900	1,406	0.10%	
Short-term borrowings	2	-	6.00%	2	-	6.00%	-	-	0.00%	
Federal Home Loan Bank advances	1	-	0.00%	-	-	0.00%	1	-	0.00%	
Subordinated debentures	15,464	675	5.84%	15,464	794	6.86%	-	(119)	-1.02%	
Total borrowings	15,467	675	5.81%	15,466	794	6.84%	1	(119)	-1.03%	
Total interest-bearing liabilities	$ 698,055	12,724	2.44%	$ 643,154	11,437	2.38%	$ 54,901	1,287	0.06%	
Net interest income/spread		$ 25,172	3.07%		$ 23,135	2.90%		$ 2,037	0.17%	
Net interest margin			3.66%			3.53%			0.13%	
Notation:										
Non-interest-bearing deposits	$ 169,965	-	0.00%	$ 174,371	-	0.00%	$ (4,406)	-	0.00%	(d)
Total deposits	$ 852,553	$ 12,049	1.89%	$ 802,059	$ 10,643	1.77%	$ 50,494	$ 1,406	0.12%	
Taxable equivalents:										
Total interest-earning assets	$ 919,838	$ 37,961	5.52%	$ 874,918	$ 34,675	5.29%	$ 44,920	$ 3,286	0.23%	
Net interest income/spread	-	$ 25,237	3.08%	-	$ 23,237	2.92%	-	$ 2,000	0.16%	
Net interest margin	-	-	3.66%	-	-	3.55%	-	-	0.11%	

(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 utilized 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 and significantly higher originations in the third quarter of 2025.

(d) Overall, average deposit balances increased. Deposit rates increased as the Company has experienced a higher volume and cost of certificates of deposit.

Non-interest Income

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

	Three Months Ended September 30,		Increase (Decrease)		Nine Months Ended September 30,		Increase (Decrease)		
	2025	2024	$	%	2025	2024	$	%	
Bank charges and service fees	$ 713	$ 728	$ (15)	(2) %	$ 2,067	$ 2,295	$ (228)	(10) %	(a)
Wealth management revenues	534	510	24	5	1,547	1,510	37	2	
Gains on sales of loans, net	3	7	(4)	(57)	116	10	106	1,060	(b)
Other	137	169	(32)	(19)	471	605	(134)	(22)	(c)
Total non-interest income	$ 1,387	$ 1,414	$ (27)	(2) %	$ 4,201	$ 4,420	$ (219)	(5) %	

(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 in addition to lower letter of credit fees and interchange income.

(b) The Company recorded a one-time gain on sale during the second quarter of 2025. Gains on sales of loans can vary significantly from period to period.

(c) The decrease is primarily due to lower revenue from SBIC investments and other miscellaneous items that were partially offset by higher gains on sale of repossessed 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 September 30,		Increase (Decrease)		Nine Months Ended September 30,		Increase (Decrease)		
	2025	2024	$	%	2025	2024	$	%	
Salaries and employee benefits	$ 3,760	$ 3,569	$ 191	5 %	$ 11,716	$ 11,381	$ 335	3 %	
Professional services	368	264	104	39	1,021	782	239	31	(a)
Data processing fees	874	898	(24)	(3)	2,545	2,605	(60)	(2)	
Marketing and promotion	243	212	31	15	607	594	13	2	
Occupancy	347	387	(40)	(10)	1,152	1,155	(3)	-	
Regulatory costs	136	137	(1)	(1)	401	409	(8)	(2)	
Depreciation and amortization	271	276	(5)	(2)	815	815	-	-	
Office supplies and postage	86	83	3	4	282	281	1	-	
Other	564	450	114	25	1,741	1,765	(24)	(1)	
Total non-interest expense	$ 6,649	$ 6,276	$ 373	6 %	$ 20,280	$ 19,787	$ 493	2 %	
Efficiency ratio	64.8%	69.0%			69.1%	71.8%			

(a) Professional services increased primarily due to higher legal and consulting expense when compared to the prior year periods.

Income Taxes

In the third quarter of 2025, income tax expense on a consolidated basis was $809 thousand, compared to $636 thousand in the third quarter of 2024. The effective tax rate was 23.5% in the third quarter of 2025, unchanged from the same period of 2024.

During the nine-month period ended September 30, 2025, income tax expense on a consolidated basis was $2.0 million, compared to $1.7 million in the first nine months of 2024. The effective tax rate was 23.5% in the first nine months of 2025, unchanged from the same period of 2024.

Comparison of Financial Condition at September 30, 2025 and December 31, 2024

Assets

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

	September 30, 2025	December 31, 2024	Increase (Decrease) $	Increase (Decrease) %	
Cash and cash equivalents	$ 115,611	$ 100,815	$ 14,796	15 %	(a)
Debt securities available for sale	118,415	129,522	(11,107)	(9)	(b)
Federal Reserve Bank and Federal Home Loan Bank stock	2,386	2,387	(1)	-	
Loans held for investment	732,833	698,724	34,109	5	(c)
Allowance for credit losses	(9,313)	(9,223)	(90)	1	
Premises and equipment, net	10,312	10,893	(581)	(5)	(d)
Operating lease right of use asset	607	618	(11)	(2)	
Accrued interest receivable	4,444	4,108	336	8	(e)
Other assets	28,182	28,837	(655)	(2)	
Total assets	$ 1,003,477	$ 966,681	$ 36,796	4 %	

(a) Cash balances increased as the Company experienced an increase in deposit balances.
(b) Debt securities available for sale decreased as the Company is utilizing the cash flow from the portfolio to provide liquidity for loan growth.
(c) Loans held for investment increased as the Company continues to experience organic growth in core markets.
(d) Premises and equipment, net decreased due to normal depreciation.
(e) Accrued interest receivable increased due higher loan balances and higher yields on loans.

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 $168.9 million as of September 30, 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):

	September 30, 2025		December 31, 2024	
North Dakota	$ 426,008	58 %	$ 423,400	61 %
Arizona	153,617	21	136,907	20
Minnesota	41,035	6	38,044	5
Other	111,450	15	99,431	14
Total gross loans	$ 732,110	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):

	September 30, 2025		December 31, 2024	
North Dakota	$ 395,417	54 %	$ 390,232	56 %
Arizona	177,874	24	161,402	23
Minnesota	29,066	4	29,679	4
California	28,142	4	24,347	3
South Dakota	27,361	4	23,188	3
Montana	17,119	3	19,948	3
Nevada	13,992	2	10,427	2
Colorado	12,328	1	10,006	2
Other	30,811	4	28,553	4
Total gross loans	$ 732,110	100 %	$ 697,782	100 %

The Company's loans held for investment are geographically concentrated in North Dakota and Arizona. 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 remains influenced by the leisure and travel industries. Positive trends in both industries have been noted, but an extended slowdown in these industries could 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 (dollars are in thousands):

	September 30, 2025		December 31, 2024	
Non-owner occupied commercial real estate – not otherwise categorized	$ 190,738	26 %	$ 192,741	28 %
Consumer, not otherwise categorized	100,003	14	99,243	14
Hotels	94,590	13	86,863	12
Agriculture, forestry, fishing and hunting	39,332	5	36,763	5
Healthcare and social assistance	39,160	5	32,447	5
Retail trade	30,588	4	34,186	5
Non-hotel accommodation and food service	28,426	4	27,288	4
Transportation and warehousing	28,113	4	31,124	5
Art, entertainment and recreation	27,679	4	27,747	4
Construction contractors	22,474	3	13,938	2
Mining, oil and gas extraction	20,141	3	23,685	4
Manufacturing	17,960	3	15,333	2
Real estate and rental and leasing support services	16,647	2	15,385	2
Other service	16,523	2	14,325	2
Utilities	13,965	2	720	-
Professional, scientific, and technical services	11,251	2	9,854	1
Educational services	10,019	1	13,595	2
Finance and insurance	8,407	1	8,586	1
Public administration	6,939	1	7,357	1
All other	9,155	1	6,602	1
Total gross loans	$ 732,110	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 September 30, 2025 (in thousands):

	One Year or Less	Over 1 Year Through 5 Years		Over 5 Years		Total Loans Held for Investment
		Fixed Rate	Indexed Rate	Fixed Rate	Indexed Rate	
Commercial and industrial	$ 31,565	$ 24,913	$ 1,411	$ 53,332	$ 140,580	$ 251,801
Commercial real estate	1,226	19,240	2,532	26,161	201,480	250,639
SBA	2,643	-	7,576	5,277	76,245	91,741
Consumer	791	4,219	7,373	81,336	26,805	120,524
Land and land development	39	4,754	1,430	126	3,009	9,358
Construction	1,217	-	5,192	-	1,638	8,047
Total gross loans	$ 37,481	$ 53,126	$ 25,514	$ 166,232	$ 449,757	$ 732,110

(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).

	September 30, 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	$ 3,338	34 %	$ 3,128	33 %
Commercial real estate	3,243	34	3,234	35
SBA	1,174	13	1,286	12
Consumer	1,277	17	1,280	17
Land and land development	167	1	208	2
Construction	114	1	87	1
Total	$ 9,313	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 September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Balance, beginning of period	$ 5,788	$ 3,055	$ 6,275	$ 3,351
Additions to nonperforming	3,245	3,279	4,358	4,862
Charge-offs	-	(42)	(417)	(44)
Reclassified back to performing	(5)	(1)	(884)	(1,716)
Principal payment received	(962)	(381)	(1,160)	(511)
Transferred to repossessed assets	(5)	(37)	(111)	(69)
Balance, end of period	$ 8,061	$ 5,873	$ 8,061	$ 5,873

Nonperforming Assets

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

	September 30, 2025	December 31, 2024
Nonperforming loans:		
Loans 90 days or more delinquent and still accruing interest	$ 2	$ -
Non-accrual loans	8,059	6,275
Total nonperforming loans	$ 8,061	$ 6,275
Repossessed assets, net	-	33
Total nonperforming assets	$ 8,061	$ 6,308
Allowance for credit losses	$ 9,313	$ 9,223
Ratio of total nonperforming loans to total loans	1.10%	0.90%
Ratio of total nonperforming assets to total assets	0.80%	0.65%
Ratio of nonperforming loans to total assets	0.80%	0.65%
Ratio of allowance for credit losses to nonperforming loans	116%	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
September 30, 2025	$ 7,477	$ 6,311	$ 637
December 31, 2024	12,207	3,873	873

As of September 30, 2025, classified loans increased to $6.9 million from $4.7 million as of December 31, 2024. During the third quarter of 2025, the Company experienced an increase in classified loans related to the trucking industry. While the Company's overall exposure to the trucking industry is estimated to be $11.9 million, the Company does not believe that our remaining trucking portfolio is currently exposed to further credit deterioration. As of September 30, 2025 and December 31, 2024, the Company had $7.5 million and $12.2 million, respectively, of potentially problematic loans, which are risk-rated as "special mention". As of September 30, 2025, $3.9 million of the special mention loan balances are secured by hotels, compared to $3.7 million as of June 30, 2025. While the Company has experienced elevated levels of special mention loans to this industry, the loans are not concentrated in a geographical location or specific property type. The remainder of the loans within the hotel industry are pass rated as of September 30, 2025.

These potential problem loans 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):

	September 30, 2025	December 31, 2024	Increase (Decrease) $	Increase (Decrease) %	
Deposits:					
Non-interest-bearing	$ 178,027	$ 172,456	$ 5,571	3 %	(a)
Interest-bearing-					
Savings, interest checking and money market	591,166	579,608	11,558	2	(a)
Time deposits	109,342	85,436	23,906	28	(a)
Guaranteed preferred beneficial interests in Company's subordinated debentures	15,464	15,464	-	-	
Accrued interest payable	1,611	1,248	363	29	(b)
Accrued expenses	2,455	2,832	(377)	(13)	(c)
Operating lease liabilities	673	700	(27)	(4)	
Dividends payable	-	14,304	(14,304)	(100)	(d)
Other liabilities	1,002	966	36	4	
Total liabilities	$ 899,740	$ 873,014	$ 26,726	3 %	

(a) Overall, deposits have increased by 4.9% in the first nine months of 2025. Increased time deposit balances 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, a reduction in 401k matching contributions, a decrease in the mortgage banking obligation reserve, and lower accrued expenses awaiting settlement.
(d) Decrease is due to payment of the $14.3 million special cash dividend on January 14, 2025 that was declared on December 18, 2024.

Deposits

Total deposits increased $41.0 million to $878.5 million on September 30, 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:

	As of		
(In thousands)	September 30, 2025	December 31, 2024	September 30, 2024
Deposits:			
Non-interest-bearing	$ 178,027	$ 172,456	$ 174,620
Interest-bearing –			
Savings, interest checking and money market	591,166	579,608	540,910
Time deposits	109,342	85,436	80,297
Total on balance sheet deposits	878,535	837,500	795,827
Off-balance sheet deposits (1)	20,478	18,531	20,087
Total available deposits	$ 899,013	$ 856,031	$ 815,914

(1) The off-balance sheet deposits above do not include off-balance sheet time deposits that can be brought back on the balance sheet at various future maturity dates. As of September 30, 2025, the Company managed off-balance sheet time deposit balances of $250 thousand, compared to $13.9 million time deposit balances as of December 31, 2024 and $20.1 million as of September 30, 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 increased to $20.5 million at September 30, 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 September 30, 2025, and December 31, 2024, the Bank had $25.6 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 September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Balance, beginning of period	$ 218	$ 518	$ 218	$ 644
Provision (credit)	(100)	(150)	(100)	(195)
Write offs, net	-	-	-	(81)
Balance, end of period	$ 118	$ 368	$ 118	$ 368

Stockholders' Equity

The Company's stockholders' equity increased $10.1 million from December 31, 2024, to September 30, 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 ($120.8 million as of September 30, 2025);
2. Borrowing capacity from the FHLB ($135.9 million as of September 30, 2025); and
3. Capacity to issue brokered deposits with maturities of less than 12 months ($144.8 million as of September 30, 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 September 30, 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 September 30, 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 September 30, 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 7.25% to 8.25% 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	$ 36,976	$ 36,710	$ 36,334	$ 35,626	$ 34,911	$ 34,192
Dollar change from unchanged scenario	$ 642	$ 376	$ -	$ (708)	$ (1,423)	$ (2,142)
Percentage change from unchanged scenario	1.77%	1.03%	-	(1.95)%	(3.92)%	(5.90)%

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 September 30, 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 September 30, 2025. Assets and liabilities are classified by the earliest possible repricing date or maturity, whichever occurs first.

Interest Sensitivity Gap Analysis

(dollars are in thousands)	Estimated Maturity or Repricing at September 30, 2025				
	0–3 Months	4–12 Months	1–5 Years	Over 5 Years	Total
Interest-earning assets:					
Interest-bearing deposits with banks	$ 105,999	$ -	$ -	$ -	$ 105,999
Debt securities (a)	10,499	16,034	60,791	34,483	121,807
FRB and FHLB stock	2,386	-	-	-	2,386
Loans held for investment, fixed rate	19,557	59,490	133,241	16,500	228,788
Loans held for investment, indexed rate	132,197	75,646	282,827	12,652	503,322
Total interest-earning assets	$ 270,638	$ 151,170	$ 476,859	$ 63,635	$ 962,302
Interest-bearing liabilities:					
Interest checking and money market accounts	$ 550,772	$ -	$ -	$ -	$ 550,772
Savings	40,394	-	-	-	40,394
Time deposits	35,595	70,322	3,388	37	109,342
Subordinated debentures	-	15,464	-	-	15,464
Total interest-bearing liabilities	$ 626,761	$ 85,786	$ 3,388	$ 37	$ 715,972
Interest rate gap	$ (356,123)	$ 65,384	$ 473,471	$ 63,598	$ 246,330
Cumulative interest rate gap at September 30, 2025	$ (356,123)	$ (290,739)	$ 182,732	$ 246,330	
Cumulative interest rate gap to total assets	(35.49%)	(28.97%)	18.21%	24.55%	

(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 September 30, 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 September 30, 2025.

Signatures

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

BNCCORP, INC.

Date: November 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