# NEWS RELEASE

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## BNCCORP, INC. REPORTS FOURTH QUARTER NET INCOME OF $2.2 MILLION, OR $0.60 PER DILUTED SHARE, AND ANNOUNCES SPECIAL $2.25 PER SHARE CASH DIVIDEND

**Highlights**

- **Net income during the fourth quarter of 2023 increased $681 thousand, or 46.3%, to $2.2 million, or $0.60 per diluted share, from $1.5 million, or $0.41 per diluted share, in the 2022 period.**
- **For the quarter, the Community Banking segment reported net income of $2.4 million, or $0.66 per diluted share, compared to net income of $3.5 million, or $0.98 per diluted share, in the same period of 2022.**
- **The Mortgage Banking segment reported net income of $84 thousand for the quarter, compared to a net loss of $1.7 million in the 2022 period.**
- **Net interest margin was 3.60% for the fourth quarter of 2023 compared to 3.94% during the fourth quarter of 2022. Net interest margin for the full year 2023 was 3.70% compared to full year 2022 margin of 3.41%.**
- **Yields on loans held for investment was 5.47% for the fourth quarter of 2023 compared to 4.86% in the fourth quarter of 2022.**
- **The Company increased loans held for investment balances by $3.8 million, or 0.6%, during the fourth quarter of 2023. During 2023, loans held for investment balances increased $52.2 million, or 8.5%.**
- **The ratio of loans held for investment-to-deposits increased to 79.9% from 75.2% at December 31, 2022.**
- **Allowance for credit losses as of December 31, 2023, was 1.39% of loans held for investment compared to 1.43% as of December 31, 2022.**
- **Non-performing assets were $3.4 million as of December 31, 2023, compared to $1.4 million as of December 31, 2022. Non-performing asset to total assets ratio increased to 0.35% at year-end 2023 from 0.15% at year-end 2022.**

**BISMARCK, ND, February 2, 2024 – BNCCORP, INC. (BNC or the Company) (OTCQX Markets: BNCC),** which operates community banking and wealth management businesses in North Dakota and Arizona, today reported financial results for the fourth quarter ended December 31, 2023 and full 2023 calendar year.

In conjunction with today's announcement, the Board of Directors have declared a special, one-time cash dividend of $2.25 per share of BNCCORP, INC. common stock. The dividend is payable on March 25, 2024, to holders of record on March 5, 2024. The aggregate payment to be made in connection with the dividend will be approximately $8.1 million.

BNC Chairman Michael Vekich said, "The special cash dividend reflects a capital management philosophy that includes the return of capital to shareholders in excess of what is invested to maintain our businesses, deployed for profitable investments, or retained as a capital reserve and liquidity buffer for the Company and BNC National Bank. The special dividend also demonstrates our continuing confidence in our financial strength despite a volatile economy and a competitive banking environment."

**Management Commentary**

"Our fourth quarter results reflect the diligent execution of our strategic priorities throughout 2023," said Daniel J. Collins, BNC's President and Chief Executive Officer. "With our persistent focus on loan growth, liquidity management, deposit and margin protection in the midst of significant market volatility, and our mortgage divestiture, we prudently managed downside risk by capitalizing on loan growth opportunities and providing continuous attention to margin and credit risk management. This deliberate approach to growth relies on balancing important metrics such as liquidity, net interest margin, efficiency, credit quality, and capital position and the management team's unwavering attention to the identification and management of risks. Our performance in the quarter reflects the strength of our customer relationships as a financial partner of choice in our service area as evidenced by increased sequential deposit balances, stable deposits costs and continued loan growth despite some larger late-in-the-year loan pay-offs."

Mr. Collins continued, "As we launch into 2024, we continue to believe in our strategy. Our focus is to continue a measured trend of loan growth and to enhance our strong financial position while being attentive to margin protection, delivering efficiency improvements from technology investments and recognizing the opportunities inherent in our new footprint. We remain steadfast in our belief that disciplined credit underwriting and administration is of primary importance and will continue to be a core element of our culture. This is a fundamentally conservative approach that has served us well over the years and we expect will continue to do so. This approach, coupled with a commitment to superior customer service and a broad portfolio of financial products, will continue to meet the needs of existing and future clients."

## 2023 Versus 2022 Fourth Quarter Comparison

| **SEGMENT DATA** (in thousands) | **For the Quarter Ended December 31, 2023** | | | | |
|---|---|---|---|---|---|
| | **Community Banking** | **Mortgage Banking** | **Holding Company** | **Intercompany Eliminations** | **BNCCORP Consolidated** |
| Net interest income (expense) | $ 8,098 | $ 95 | $ (227) | $ - | $ 7,966 |
| Provision for credit losses | 180 | - | - | - | 180 |
| Non-interest income | 1,599 | 3 | 504 | (563) | 1,543 |
| Non-interest expense | 6,522 | (13) | 713 | (563) | 6,659 |
| Income (loss) before taxes | 2,995 | 111 | (436) | - | 2,670 |
| Income tax expense (benefit) | 636 | 27 | (144) | - | 519 |
| Net income (loss) | $ 2,359 | $ 84 | $ (292) | $ - | $ 2,151 |

| | **For the Quarter Ended December 31, 2022** | | | | |
|---|---|---|---|---|---|
| | **Community Banking** | **Mortgage Banking** | **Holding Company** | **Intercompany Eliminations** | **BNCCORP Consolidated** |
| Net interest income (expense) | $ 8,523 | $ 234 | $ (193) | $ - | $ 8,564 |
| Provision for credit losses | 250 | - | - | - | 250 |
| Non-interest income | 2,714 | 1,057 | 521 | (919) | 3,373 |
| Non-interest expense | 6,512 | 3,612 | 728 | (919) | 9,933 |
| Income (loss) before taxes | 4,475 | (2,321) | (400) | - | 1,754 |
| Income tax expense (benefit) | 959 | (575) | (100) | - | 284 |
| Net income (loss) | $ 3,516 | $ (1,746) | $ (300) | $ - | $ 1,470 |

The Community Banking Segment reported net income of $2.4 million, or $0.66 per diluted share, for the quarter compared to $3.5 million in the fourth quarter of 2022. Interest income was $2.0 million higher when compared to the 2022 period, but was offset by a $2.4 million increase in interest expense due to the rising rate environment the industry has witnessed. The Community Banking Segment also reported $1.1 million lower non-interest income primarily due to $358 thousand lower off balance sheet deposit income and $334 thousand lower SBIC revenues when compared to the 2022 period. The Community Banking Segment also experienced reduced management fee income from the Mortgage Segment in the fourth quarter of 2023. Non-interest expense was slightly higher in the 2023 period due to increased regulatory and other expense that was almost offset by lower professional services and depreciation when compared to the same period in 2022.

The Mortgage Banking Segment reported net income of $84 thousand in the fourth quarter of 2023 compared to a net loss of $1.7 million in the 2022 period. The net income in the fourth quarter of 2023 resulted from the final close-out of the mortgage segment and the balancing of accrued expenses.

Consolidated net interest income for the fourth quarter of 2023 was $8.0 million, a decrease of $598 thousand, or 7.0%, from $8.6 million in the fourth quarter of 2022. Net interest margin was 3.60% in the fourth quarter of 2023 compared to 3.94% reported in the prior year period. Net interest income from the Community Banking Segment was $8.1 million in the fourth quarter of 2023, down from $8.5 million in the fourth quarter of 2022. The increase in loans held for investment at higher yields was more than offset by lower volume of loans held for sale and a significant increase in the cost of deposits.

On a consolidated basis, fourth-quarter interest income increased $1.8 million, or 18.9%, from $9.7 million to $11.5 million. The 5.19% average yield on interest-earning assets in the quarter was substantially higher than the 4.45% average yield in the fourth quarter of 2022. The Community Banking Segment reported interest income of $11.4 million in the fourth quarter of 2023 compared to $9.4 million in the 2022 quarter. The increase resulted from higher yields on interest-earning assets, a $75.9 million quarter-over-quarter increase in the average balance of loans held for investment and higher yields on cash and debt securities. It is noteworthy that the Company's variable rate assets have continued to re-price in step with interest rate movements by the Federal Reserve. The weighted average interest rate on loans held for investment originated in the fourth quarter of 2023 was 7.40%, compared to the fourth quarter 2022 average yield on loans held for investment of 4.89%.

Consolidated interest expense in the fourth quarter of 2023 was $3.5 million, an increase of $2.4 million from the 2022 period. As a result, the cost of core deposits in the fourth quarter of 2023 rose to 1.60% versus 0.45% in the fourth quarter of 2022.

Within the Community Banking Segment, the average balance of deposits increased by $12.1 million when comparing the fourth quarter of 2023 to the fourth quarter of 2022. The cost of interest-bearing liabilities was 2.18% during the fourth quarter of 2023, compared to 0.72% in the same period of 2022. The Company has managed its overall cost of deposits at levels well below the prevailing brokered deposit rates offered by national brokerage firms even while staying focused on maintaining strong liquidity levels.

As of December 31, 2023, nonperforming assets were $3.4 million, representing a ratio of nonperforming assets to total assets of 0.35%. These results are comparable to the $1.4 million in nonperforming assets, a 0.15% ratio of nonperforming assets to total assets held on December 31, 2022. At December 31, 2023, $2.4 million of the nonperforming loans were SBA loans that maintain significant government guarantees. The increase includes a number of relationships that were transferred to non-accrual status during 2023 and one relationship where the Company was in the process of modifying the loan. The Company recorded a $180 thousand provision for credit losses in the fourth quarter of 2023 compared to a $250 thousand provision in the fourth quarter of 2022. The allowance for credit losses decreased slightly to 1.39% of loans held for investment on December 31, 2023 from 1.43% on December 31, 2022.

Non-interest income for the Community Banking Segment during the fourth quarter of 2023 was $1.6 million, compared to $2.7 million in the 2022 fourth quarter. Bank charges and service fees were $328 thousand lower quarter-over-quarter due to lower deposits held in one-way sell positions. Through the use of an associated banking network, the Company is able to generate fee income on deposits that are not otherwise deployed by placing those deposits with another financial institution to meet their liquidity needs. The deposits can be reclaimed for future liquidity use by the Company at any time. Fees derived from the movement of deposits off the balance sheet began late in the first quarter of 2022 and can fluctuate significantly based on our customers' excess funding needs. As of December 31, 2023, off-balance sheet deposits amounted to $34.8 million compared to $187.4 million as of December 31, 2022. Consolidated other income in the fourth quarter of 2023 decreased by $430 thousand compared to the fourth quarter of 2022 as the Company received lower SBIC revenue in 2023 and recorded income from valuation adjustments on the Company's deferred compensation plan in the fourth quarter of 2022.

Non-interest expense for the Community Banking Segment during the fourth quarter of 2023 was essentially flat, increasing just $10 thousand, or 0.2%, year-over-year. The increase is primarily due to higher salaries, marketing, regulatory costs, and other expenses being partially offset by lower professional service, depreciation, and occupancy expense.

In the fourth quarter of 2023, income tax expense on a consolidated basis was $519 thousand, compared to $284 thousand in the fourth quarter of 2022. The effective tax rate was 19.4% in the fourth quarter of 2023, compared to 16.2% in the same period of 2022.

Tangible book value per common share on December 31, 2023, was $30.38, compared to $28.19 at December 31, 2022. The increase in tangible book value per common share was driven by increased retained earnings and by positive adjustments to the tax-effected fair value of debt securities available for sale as evidenced in the decrease of accumulated other comprehensive losses. The Company's tangible common equity capital ratio was 11.19% on December 31, 2023, compared to 10.63% on December 31, 2022.

## 2023 Versus 2022 Year-End Comparison

| **SEGMENT DATA** (in thousands) | **For the Twelve Months Ended December 31, 2023** | | | | |
|---|---|---|---|---|---|
| | **Community Banking** | **Mortgage Banking** | **Holding Company** | **Intercompany Eliminations** | **BNCCORP Consolidated** |
| Net interest income (expense) | $ 32,617 | $ 568 | $ (875) | $ - | $ 32,310 |
| Provision for credit losses | 815 | - | - | - | 815 |
| Non-interest income | 7,354 | 3,641 | 2,134 | (3,125) | 10,004 |
| Non-interest expense | 25,590 | 8,768 | 2,950 | (3,125) | 34,183 |
| Income (loss) before taxes | 13,566 | (4,559) | (1,691) | - | 7,316 |
| Income tax expense (benefit) | 3,181 | (1,131) | (439) | - | 1,611 |
| Net income (loss) | $ 10,385 | $ (3,428) | $ (1,252) | $ - | $ 5,705 |

| | **For the Twelve Months Ended December 31, 2022** | | | | |
|---|---|---|---|---|---|
| | **Community Banking** | **Mortgage Banking** | **Holding Company** | **Intercompany Eliminations** | **BNCCORP Consolidated** |
| Net interest income (expense) | $ 29,919 | $ 1,514 | $ (475) | $ - | $ 30,958 |
| Credit for credit losses | (150) | - | - | - | (150) |
| Non-interest income | 9,696 | 11,446 | 2,210 | (4,224) | 19,128 |
| Non-interest expense | 24,598 | 18,615 | 2,918 | (4,224) | 41,907 |
| Income (loss) before taxes | 15,167 | (5,655) | (1,183) | - | 8,329 |
| Income tax expense (benefit) | 3,515 | (1,402) | (284) | - | 1,829 |
| Net income (loss) | $ 11,652 | $ (4,253) | $ (899) | $ - | $ 6,500 |

The Community Banking Segment reported net income of $10.4 million in 2023, compared to $11.7 million in 2022. In 2023, earnings per diluted share was $2.90 versus $3.26 in 2022. During the year-ended December 31, 2023 the segment produced higher net interest income, lower non-interest income and higher non-interest expense, and increased provisions for credit losses compared to the same period of 2022.

The Mortgage Banking Segment reported a net loss of $3.4 million in 2023, compared to a net loss of $4.3 million in 2022. Non-interest income produced by the mortgage segment declined to $3.7 million in 2023 from $11.4 million in 2022. Non-interest expenses related to mortgage operations decreased by $9.8 million year-over-year, which included $1.4 million of expenses associated with the sale of certain assets to and the assumption of certain operating liabilities by First Federal Bank on June 16, 2023.

Consolidated net interest income in 2023 was $32.3 million, an increase of $1.3 million, or 4.4%, from $31.0 million in 2022. Net interest margin increased to 3.70% in 2023 from 3.41% in 2022. The Community Banking Segment reported a year-over-year increase in net interest income of $2.7 million, or 9.0%, from $29.9 million in 2022 to $32.6 million in 2023. The increase was primarily driven by growth in loans held for investment and overall higher yields that were partially offset by an increase in the cost of deposits and subordinated debentures.

On a consolidated basis, interest income increased by $9.7 million, or 28.8%, to $43.3 million in 2023, compared to $33.6 million in 2022. The yield on average interest-earning assets improved significantly to 4.96% in 2023, compared to 3.70% in 2022. The Community Banking Segment reported interest income of $42.7 million in 2023 compared to $32.1 million in 2022, an increase of $10.6 million, or 33.1%. The increase is the result of higher yields on interest-earning assets and an $83.2 million increase in average balances of loans held for investment. It is noteworthy that the Company's variable rate assets have continued to re-price in step with interest rate movements by the Federal Reserve and that the Company is receiving higher yields on new loan originations.

In line with the overall increase in interest rates, consolidated interest expense in 2023 was $11.0 million, an increase of $8.3 million from 2022. The cost of core deposits in 2023 and 2022 was 1.24% and 0.26%, respectively. Within the Community Banking Segment, the average balance of deposits decreased by $32.5 million compared to 2022. The Company has experienced elevated levels of customers deploying excess deposit balances to national brokered deposits to capture short-term rates offered in the market, most often by non-bank brokerage firms. The cost of interest-bearing liabilities was 1.74% during 2023, compared to 0.41% in the same period of 2022. The Company has managed its overall cost of deposits at levels well below the prevailing brokered deposit rates offered by national brokerage firms while staying focused on maintaining liquidity.

The Company recorded an $815 thousand provision for credit losses in 2023. By comparison, the Company credited provision expense to release $150 thousand of its allowance for credit losses in 2022. The allowance for credit losses decreased slightly to 1.39% of loans held for investment on December 31, 2023, compared to 1.43% on December 31, 2022.

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

Non-interest income for the Community Banking Segment in 2023 was $7.4 million, compared to $9.7 million in 2022. The decrease was driven by a reduction in bank charges and service fees, wealth management revenues, gains on sale of loans, and other income. Bank charges and service fees decreased primarily due to a $279 thousand decrease in fees associated with off-balance sheet deposits that were partially offset by increased letter of credit fees. Wealth management revenues decreased $33 thousand, or 1.7%, largely due to the mix of fees associated with more conservative investment vehicles. During 2023, the Company has seen increases in assets under administration from new investments in U.S. Treasury securities. Assets under administration were $388.8 million at December 31, 2023 compared to $352.7 million at December 31, 2022. Gains on sales of loans decreased period-over-period by $246 thousand as the premiums earned on the sale of the guaranteed portion of SBA loans have become less attractive in recent quarters. Other income for the period decreased by $1.9 million when compared to 2022 due to $452 thousand lower SBIC revenues in 2023, recognizing gains on the sale of the Golden Valley, MN location and receipt of life insurance proceeds in 2022. The Community Banking Segment was also impacted by reduced management fee income from the Mortgage Segment in the fourth quarter of 2023.

During 2023, non-interest expense for the Community Banking Segment increased $992 thousand, or 4.0%, to $25.6 million from $24.6 million in 2022. The increase is primarily due to higher salaries, data processing, marketing, and other expenses being partially offset by lower professional services costs and depreciation expense. These higher costs reflect normal inflationary pressures.

In 2023, income tax expense on a consolidated basis was 1.6 million, compared to $1.8 million in 2022. The effective tax rate was 22.0% in 2023, compared to 22.0% in 2022.

**Assets and Liabilities**

At the consolidated level, total assets were $968.2 million at December 31, 2023 versus $943.3 million at December 31, 2022.

Total loans held for investment were $668.8 million on December 31, 2023 compared to $616.6 million on December 31, 2022. Loans held for sale as of December 31, 2023 decreased $37.8 million compared to December 31, 2022. Debt securities decreased $15.1 million from year-end 2022 while cash and cash equivalent balances totaled $102.5 million on December 31, 2023 compared to $74.0 million on December 31, 2022.

Total deposits increased $17.6 million to $837.2 million on December 31, 2023, from $819.6 million on December 31, 2022. While the Company continues to enjoy strong and enduring customer relationships, the Company has experienced elevated levels of customers deploying excess deposit balances to national brokered deposits to capture short-term rates offered in the market, most often by non-bank brokerage firms. Off-balance sheet deposits can fluctuate significantly as the Company experienced during 2023 as a significant portion of these deposits were moved to higher rate opportunities in the short-term markets. The Company continues to focus on developing 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) | **December 31, 2023** | **September 30, 2023** | **December 31, 2022** |
| Deposits: | | | |
| Non-interest-bearing | $ 184,442 | $ 180,045 | $ 207,232 |
| Interest-bearing – | | | |
| Savings, interest checking and money market | 582,855 | 543,909 | 554,577 |
| Time deposits | 69,906 | 65,572 | 57,775 |
| Total on balance sheet deposits | 837,203 | 789,526 | 819,584 |
| Off-balance sheet deposits (1) | 34,792 | 40,232 | 187,407 |
| Total available deposits | $ 871,995 | $ 829,758 | $ 1,006,991 |

(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 December 31, 2023, the Company managed off-balance sheet time deposit balances of $18.7 million, compared to $20.7 million deposit balances as of September 30, 2023 and no time deposit balances as of December 31, 2022.

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 customers' deposit balances. This fact, combined with our strong balance sheet and sustained management focus on the Company's relationship-focused culture, has contributed to the Company's ability to maintain a significant deposit base.

Off-balance sheet accounts are primarily utilized to accommodate larger business customers with significant deposits who require daily access to funds and to provide FDIC insurance coverage. The Company maintained $62.8 million of off-balance sheet deposits late in the first quarter of 2022 and further expanded its use throughout 2022. These off-balance sheet deposits grew to $187.4 million at year-end 2022 and were $34.8 million at December 31, 2023. These 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.

Trust assets under administration increased 10.3%, or $36.1 million, to $388.8 million at December 31, 2023, from $352.7 million at December 31, 2022. During 2023, the Company benefited from acquiring new assets under administration coupled with market value increases.

**Asset Quality**

The allowance for credit losses was $9.3 million as of December 31, 2023, versus $8.8 million on December 31, 2022. The allowance as a percentage of loans held for investment on December 31, 2023 decreased slightly from 1.43% as of December 31, 2022 to 1.39% at current quarter's end.

Past due loans for a period of 31-89 days increased to $4.8 million as of December 31, 2023, compared to $292 thousand as of December 31, 2022. Nonperforming assets, consisting of loans, were $3.4 million on December 31, 2023, compared to $1.4 million on December 31, 2022. The increase includes a number of relationships that were transferred to non-accrual status during 2023 and one relationship where the Company was in the process of modifying the loan. The ratio of nonperforming assets-to-total-assets was 0.35% at December 31, 2023 versus 0.15% at December 31, 2022. At December 31, 2023, $2.4 million of the nonperforming loans were SBA loans that maintain significant government guarantees. As of December 31, 2023, the Company did not hold any other real estate and held $33 thousand in repossessed assets. As of December 31, 2022, the Company did not hold any other real estate and held $64 thousand in repossessed assets.

As of December 31, 2023, classified loans were $5.3 million with $2.5 million of loans on non-accrual. These results compare to year-end 2022 where the Company held $3.6 million of classified loans and $1.4 million of loans on non-accrual. Similarly, as of December 31, 2023 and December 31, 2022, the Company had $2.4 million and $2.5 million, respectively, of potentially problematic loans, which are risk-rated as "watch list".

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

BNC's loans held for investment are geographically concentrated in North Dakota and Arizona, comprising 58% and 23%, respectively, of the Company's total loans held for investment portfolio.

The North Dakota economy is influenced by the energy and agriculture industries. Changes in energy supply and demand have recently caused an increase in oil prices to the benefit of the oil industry and ancillary services. Potential risks to North Dakota's energy industry include the possibility of adverse legislation and changes in economic conditions that reduce energy demand. Depending on the severity of their impact, these factors could present potential challenges to credit quality in North Dakota.

The Arizona economy continues to diversify, but continues to be influenced by the leisure and travel industries. Positive trends in both industries have been noted, but an extended slowdown in these industries may negatively impact credit quality in Arizona. While the Company's portfolio includes various sized loans spread over a large number of industry sectors, it has meaningful concentrations of loans to the hospitality and commercial real estate industries.

The following table approximately describes the Company's concentrations by industry as of December 31, 2023 and December 31, 2022, respectively:

| **Loans Held for Investment by Industry Sector** (in thousands) | **December 31, 2023** | | **December 31, 2022** | |
|---|---|---|---|---|
| Non-owner Occupied Commercial Real estate – not otherwise categorized | $ 198,428 | 30 % | $ 177,674 | 29 % |
| Consumer, not otherwise categorized | 99,702 | 15 | 85,648 | 14 |
| Hotels | 83,985 | 13 | 91,388 | 15 |
| Retail trade | 35,827 | 5 | 36,607 | 6 |
| Agriculture, forestry, fishing and hunting | 33,503 | 5 | 30,641 | 5 |
| Healthcare and social assistance | 32,011 | 5 | 33,327 | 5 |
| Transportation and warehousing | 27,905 | 4 | 23,951 | 4 |
| Art, entertainment and recreation | 27,507 | 4 | 19,024 | 3 |
| Non-hotel accommodation and food service | 24,637 | 4 | 21,538 | 4 |
| Mining, oil and gas extraction | 22,149 | 3 | 22,480 | 4 |
| Construction contractors | 16,082 | 2 | 11,124 | 2 |
| Other service | 11,940 | 2 | 11,810 | 2 |
| Real estate and rental and leasing support services | 9,804 | 1 | 9,233 | 1 |
| Professional, scientific, and technical services | 9,570 | 1 | 8,209 | 1 |
| Public administration | 7,837 | 1 | 8,316 | 1 |
| Manufacturing | 7,801 | 1 | 7,572 | 1 |
| Finance and insurance | 6,781 | 1 | 5,022 | 1 |
| All other | 12,297 | 3 | 12,085 | 2 |
| Gross loans held for investment | $ 667,766 | 100 % | $ 615,649 | 100 % |

The Company's loans to the hospitality industry have shown signs of improved credit quality that are reflected by improved hotel occupancy and restaurant utilization trends. Hotel operators in BNC's loan portfolio are reporting positive trends and, in some cases, stronger balance sheets. Despite these positive indications, labor shortages limit the ability of the industry to fully capitalize on these trends and the potential for inflationary impacts on travel and leisure activities continue to be closely monitored. As of December 31, 2023, the Company's loans related to office space were 2.83% of loans held for investment, and are primarily concentrated in North Dakota, with only 0.1% within the Arizona market.

## **Capital**

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

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

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| **BNCCORP, INC. (Consolidated)** | | |
| Tier 1 leverage | 14.52% | 13.99% |
| Common equity tier 1 risk based capital | 14.58% | 14.48% |
| Tier 1 risk based capital | 16.49% | 16.43% |
| Total risk based capital | 17.64% | 17.57% |
| Tangible common equity | 11.19% | 10.63% |
| | | |
| **BNC National Bank** | | |
| Tier 1 leverage | 12.54% | 11.97% |
| Common equity tier 1 risk based capital | 14.25% | 14.04% |
| Tier 1 risk based capital | 14.25% | 14.04% |
| Total risk based capital | 15.40% | 15.19% |
| Tangible common equity | 10.96% | 10.28% |

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

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

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

The Company is currently authorized to purchase 175,000 shares with no expiration date set on the authorization. No share repurchases have been made under the authorization as of December 31, 2023. 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.

**About BNCCORP, INC.**

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

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

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

(Financial tables attached)

# # #

# BNCCORP, INC.
## CONSOLIDATED FINANCIAL DATA
## (Unaudited)

| (In thousands, except per share data) | For the Quarter Ended December 31, 2023 | For the Quarter Ended December 31, 2022 | For the Twelve Months Ended December 31, 2023 | For the Twelve Months Ended December 31, 2022 |
|---|---|---|---|---|
| **INCOME STATEMENT** | | | | |
| Interest income | $ 11,489 | $ 9,666 | $ 43,278 | $ 33,613 |
| Interest expense | 3,523 | 1,102 | 10,968 | 2,655 |
| Net interest income | 7,966 | 8,564 | 32,310 | 30,958 |
| Provision (credit) for credit losses | 180 | 250 | 815 | (150) |
| Net interest income after provision (credit) for credit losses | 7,786 | 8,314 | 31,495 | 31,108 |
| Non-interest income | | | | |
| Bank charges and service fees | 823 | 1,151 | 3,615 | 3,719 |
| Wealth management revenues | 474 | 464 | 1,948 | 1,981 |
| Mortgage banking revenues | 4 | 1,067 | 3,771 | 11,459 |
| Gains on sales of loans, net | 1 | 20 | 16 | 262 |
| Gains on sales of debt securities, net | - | - | 12 | - |
| Other | 241 | 671 | 642 | 1,707 |
| Total non-interest income | 1,543 | 3,373 | 10,004 | 19,128 |
| Non-interest expense | | | | |
| Salaries and employee benefits | 3,840 | 4,864 | 17,517 | 21,194 |
| Professional services | 304 | 714 | 3,419 | 3,584 |
| Data processing fees | 807 | 988 | 3,722 | 3,952 |
| Marketing and promotion | 173 | 1,272 | 3,127 | 5,660 |
| Occupancy | 409 | 583 | 1,785 | 2,192 |
| Regulatory costs | 136 | 108 | 470 | 468 |
| Depreciation and amortization | 256 | 304 | 1,094 | 1,231 |
| Office supplies and postage | 93 | 109 | 415 | 425 |
| Other | 641 | 991 | 2,634 | 3,201 |
| Total non-interest expense | 6,659 | 9,933 | 34,183 | 41,907 |
| Income before taxes | 2,670 | 1,754 | 7,316 | 8,329 |
| Income tax expense | 519 | 284 | 1,611 | 1,829 |
| Net income | $ 2,151 | $ 1,470 | $ 5,705 | $ 6,500 |
| | | | | |
| **WEIGHTED AVERAGE SHARES** | | | | |
| Common shares outstanding (a) | 3,578,029 | 3,573,848 | 3,577,421 | 3,573,934 |
| Dilutive effect of share-based compensation | 3,517 | 1,087 | 2,818 | 930 |
| Adjusted weighted average shares (b) | 3,581,546 | 3,574,935 | 3,580,239 | 3,574,864 |
| | | | | |
| **EARNINGS PER SHARE DATA** | | | | |
| Basic earnings per common share | $ 0.60 | $ 0.41 | $ 1.59 | $ 1.82 |
| Diluted earnings per common share | $ 0.60 | $ 0.41 | $ 1.59 | $ 1.82 |

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

## BNCCORP, INC.
## CONSOLIDATED FINANCIAL DATA
**(Unaudited)**

| (In thousands, except share, per-share and full-time equivalent data) | As of December 31, 2023 | As of September 30, 2023 | As of December 31, 2022 |
|---|---|---|---|
| **BALANCE SHEET DATA** | | | |
| Cash and cash equivalents | $ 102,454 | $ 51,366 | $ 73,968 |
| Debt securities available for sale | 159,772 | 158,016 | 174,876 |
| FRB and FHLB stock | 2,372 | 2,938 | 3,063 |
| Loans held for sale-mortgage banking | - | 120 | 37,764 |
| Loans held for investment | 668,808 | 665,026 | 616,645 |
| Allowance for credit losses (1) | (9,284) | (9,146) | (8,831) |
| Net loans held for investment | 659,524 | 655,880 | 607,814 |
| Premises and equipment, net | 10,955 | 10,951 | 11,764 |
| Operating lease right of use asset | 938 | 1,020 | 1,521 |
| Accrued interest receivable | 4,206 | 3,851 | 3,312 |
| Other | 27,984 | 29,215 | 29,239 |
| Total assets | $ 968,205 | $ 913,357 | $ 943,321 |
| Deposits: | | | |
| Non-interest-bearing | $ 184,442 | $ 180,045 | $ 207,232 |
| Interest-bearing – | | | |
| Savings, interest checking and money market | 582,855 | 543,909 | 554,577 |
| Time deposits | 69,906 | 65,572 | 57,775 |
| Total deposits | 837,203 | 789,526 | 819,584 |
| Guaranteed preferred beneficial interest in Company’s subordinated debentures | 15,464 | 15,000 | 15,000 |
| Accrued interest payable | 937 | 687 | 312 |
| Accrued expenses | 4,105 | 3,630 | 5,482 |
| Operating lease liabilities | 1,048 | 1,134 | 1,660 |
| Other | 1,030 | 1,133 | 937 |
| Total liabilities | 859,787 | 811,110 | 842,975 |
| Common stock | 36 | 36 | 36 |
| Capital surplus – common stock | 26,572 | 26,670 | 26,399 |
| Retained earnings | 93,186 | 91,035 | 87,575 |
| Treasury stock | (1,528) | (1,665) | (1,622) |
| Accumulated other comprehensive income, net | (9,848) | (13,829) | (12,042) |
| Total stockholders’ equity | 108,418 | 102,247 | 100,346 |
| Total liabilities and stockholders’ equity | $ 968,205 | $ 913,357 | $ 943,321 |
| **OTHER SELECTED DATA** | | | |
| Trust assets under administration | $ 388,829 | $ 369,377 | $ 352,677 |
| Core deposits (2) | $ 837,203 | $ 789,526 | $ 819,584 |
| Tangible book value per common share (3) | $ 30.38 | $ 28.71 | $ 28.19 |
| Tangible book value per common share excluding accumulated other comprehensive income, net | $ 33.13 | $ 32.59 | $ 31.58 |
| Full time equivalent employees | 144 | 145 | 206 |
| Common shares outstanding | 3,569,210 | 3,561,334 | 3,559,334 |

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

# BNCCORP, INC.
# CONSOLIDATED FINANCIAL DATA
**(Unaudited)**

| AVERAGE BALANCE, YIELD EARNED,AND COST PAID (dollars in thousands) | For the Quarter Ended December 31, 2023 Average Balance | Interest Earned or Paid | Average Yield or Cost | For the Quarter Ended December 31, 2022 Average Balance | Interest Earned or Paid | Average Yield or Cost | Quarter-Over-Quarter Comparison — Change Due to Rate | Volume | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | |
| Interest-bearing due from banks | $ 54,402 | $ 754 | 5.50% | $ 57,036 | $ 566 | 3.94% | $ 215 | $ (27) | $ 188 |
| FRB and FHLB stock | 2,852 | 35 | 4.84% | 3,063 | 36 | 2.83% | - | (1) | (1) |
| Debt securities available for sale | 156,127 | 1,386 | 3.52% | 177,278 | 1,264 | 4.71% | 266 | (144) | 122 |
| Loans held for sale-mortgage banking | 92 | 17 | 75.14% | 34,346 | 472 | 5.45% | 451 | (906) | (455) |
| Loans held for investment | 674,432 | 9,297 | 5.47% | 598,557 | 7,328 | 4.86% | 979 | 990 | 1,969 |
| Allowance for credit losses | (9,136) | - | 0.00% | (8,609) | - | 0.00% | - | - | - |
| Total | $ 878,769 | $ 11,489 | 5.19% | $ 861,671 | $ 9,666 | 4.45% | $ 1,911 | $ (88) | $ 1,823 |
| **Liabilities** | | | | | | | | | |
| Interest checking and money market | $ 516,031 | $ 2,831 | 2.18% | $ 482,459 | $ 831 | 0.68% | $ 1,173 | $ 827 | $ 2,000 |
| Savings | 42,118 | 11 | 0.10% | 52,510 | 5 | 0.04% | 7 | (1) | 6 |
| Time deposits | 67,144 | 411 | 2.43% | 59,019 | 69 | 0.46% | 335 | 7 | 342 |
| Short-term borrowings | 1 | - | 0.00% | 246 | - | 0.31% | - | - | - |
| Subordinated debentures | 15,156 | 270 | 7.08% | 15,000 | 197 | 5.21% | 71 | 2 | 73 |
| Total | $ 640,450 | $ 3,523 | 2.18% | $ 609,234 | $ 1,102 | 0.72% | $ 1,586 | $ 835 | $ 2,421 |
| Net Interest Income | | $ 7,966 | | | $ 8,564 | | | | |
| Net Interest Spread | | | 3.00% | | | 3.73% | | | |
| Net Interest Margin | | | 3.60% | | | 3.94% | | | |

| AVERAGE BALANCE, YIELD EARNED,AND COST PAID (dollars in thousands) | For the Year Ended December 31, 2023 Average Balance | Interest Earned or Paid | Average Yield or Cost | For the Year Ended December 31, 2022 Average Balance | Interest Earned or Paid | Average Yield or Cost | Year-Over-Year Comparison — Change Due to Rate | Volume | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | |
| Interest-bearing due from banks | $ 40,901 | $ 2,107 | 5.15% | $ 109,950 | $ 1,262 | 1.15% | $ 2,059 | $ (1,214) | $ 845 |
| FRB and FHLB stock | 2,951 | 143 | 4.85% | 3,075 | 147 | 2.32% | - | (4) | (4) |
| Debt securities available for sale | 165,948 | 5,446 | 3.28% | 192,317 | 4,455 | 4.78% | 1,645 | (654) | 991 |
| Loans held for sale-mortgage banking | 26,743 | 1,531 | 5.72% | 49,862 | 2,025 | 4.06% | 649 | (1,143) | (494) |
| Loans held for investment | 644,536 | 34,051 | 5.28% | 561,318 | 25,724 | 4.58% | 4,214 | 4,113 | 8,327 |
| Allowance for credit losses | (8,952) | - | 0.00% | (8,651) | - | 0.00% | - | - | - |
| Total | $ 872,127 | $ 43,278 | 4.96% | $ 907,871 | $ 33,613 | 3.70% | $ 8,539 | $ 1,126 | $ 9,665 |
| **Liabilities** | | | | | | | | | |
| Interest checking and money market | $ 509,434 | $ 8,965 | 1.76% | $ 522,240 | $ 1,838 | 0.35% | $ 6,760 | $ 367 | $ 7,127 |
| Savings | 46,746 | 47 | 0.10% | 51,510 | 20 | 0.04% | 29 | (2) | 27 |
| Time deposits | 59,273 | 937 | 1.58% | 65,238 | 304 | 0.47% | 653 | (20) | 633 |
| Short-term borrowings | 249 | 5 | 2.01% | 359 | 4 | 1.12% | 1 | - | 1 |
| Subordinated debentures | 15,039 | 1,014 | 6.74% | 15,000 | 489 | 3.26% | 524 | 1 | 525 |
| Total | $ 630,741 | $ 10,968 | 1.74% | $ 654,347 | $ 2,655 | 0.41% | $ 7,967 | $ 346 | $ 8,313 |
| Net Interest Income | | $ 32,310 | | | $ 30,958 | | | | |
| Net Interest Spread | | | 3.22% | | | 3.30% | | | |
| Net Interest Margin | | | 3.70% | | | 3.41% | | | |

**BNCCORP, INC.**
**CONSOLIDATED FINANCIAL DATA**
**(Unaudited)**

| (In thousands) | For the Quarter Ended December 31, 2023 | For the Quarter Ended December 31, 2022 | For the Twelve Months Ended December 31, 2023 | For the Twelve Months Ended December 31, 2022 |
|---|---|---|---|---|
| **OTHER AVERAGE BALANCES** | | | | |
| Total assets | $ 934,189 | $ 919,886 | $ 927,084 | $ 964,474 |
| Core deposits | 808,782 | 796,667 | 801,786 | 834,247 |
| Total equity | 103,437 | 99,333 | 103,690 | 105,531 |
| | | | | |
| **KEY RATIOS** | | | | |
| Return on average common stockholders' equity (a) | 7.26% | 5.19% | 4.94% | 5.81% |
| Return on average assets (b) | 0.91% | 0.63% | 0.62% | 0.67% |
| Efficiency ratio (Consolidated) | 70.03% | 83.21% | 80.78% | 83.67% |
| Efficiency ratio (Bank) | 66.49% | 80.24% | 77.43% | 81.59% |

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

## BNCCORP, INC.
## CONSOLIDATED FINANCIAL DATA
**(Unaudited)**

| (In thousands) | As of December 31, 2023 | As of September 30, 2023 | As of December 31, 2022 |
|---|---|---|---|
| **ASSET QUALITY** | | | |
| Loans 90 days or more delinquent and accruing interest | $ 832 | $ - | $ 1 |
| Non-accrual loans | 2,519 | 1,405 | 1,354 |
| Total nonperforming loans | $ 3,351 | $ 1,405 | $ 1,355 |
| Repossessed assets, net | 33 | 11 | 64 |
| Total nonperforming assets | $ 3,384 | $ 1,416 | $ 1,419 |
| Allowance for credit losses | $ 9,284 | $ 9,146 | $ 8,831 |
| Troubled debt restructured loans (1) | | | $ 926 |
| Ratio of total nonperforming loans to total loans | 0.50% | 0.21% | 0.21% |
| Ratio of total nonperforming assets to total assets | 0.35% | 0.16% | 0.15% |
| Ratio of nonperforming loans to total assets | 0.35% | 0.15% | 0.14% |
| Ratio of allowance for credit losses to loans held for investment | 1.39% | 1.38% | 1.43% |
| Ratio of allowance for credit losses to total loans | 1.39% | 1.38% | 1.35% |
| Ratio of allowance for credit losses to nonperforming loans | 277% | 651% | 652% |

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

| (In thousands) | For the Quarter Ended December 31, 2023 | For the Quarter Ended December 31, 2022 | For the Twelve Months Ended December 31, 2023 | For the Twelve Months Ended December 31, 2022 |
|---|---|---|---|---|
| **Changes in Nonperforming Loans:** | | | | |
| Balance, beginning of period | $ 1,405 | $ 1,319 | $ 1,355 | $ 1,673 |
| Additions to nonperforming | 2,036 | 124 | 2,393 | 226 |
| Charge-offs | (50) | (24) | (145) | (86) |
| Reclassified back to performing | - | - | (1) | (165) |
| Principal payments received | (35) | (53) | (200) | (267) |
| Transferred to repossessed assets | (5) | (11) | (51) | (26) |
| Balance, end of period | $ 3,351 | $ 1,355 | $ 3,351 | $ 1,355 |

**BNCCORP, INC.**
**CONSOLIDATED FINANCIAL DATA**
**(Unaudited)**

| (In thousands) | For the Quarter Ended December 31, 2023 | For the Quarter Ended December 31, 2022 | For the Twelve Months Ended December 31, 2023 | For the Twelve Months Ended December 31, 2022 |
|---|---|---|---|---|
| **Changes in Allowance for Credit Losses:** (1) | | | | |
| Balance, beginning of period | $ 9,343 | $ 8,617 | $ 8,831 | $ 9,080 |
| Cumulative effect of CECL adoption | - | - | 125 | - |
| Provision (credit) | 180 | 250 | 815 | (150) |
| Loans charged off | (100) | (60) | (368) | (159) |
| Loan recoveries | 36 | 24 | 56 | 60 |
| Balance, end of period | $ 9,459 | $ 8,831 | $ 9,459 | $ 8,831 |
| Components: | | | | |
| Allowance for loan losses | $ 9,284 | $ 8,831 | $ 9,284 | $ 8,831 |
| Allowance for unfunded commitments | $ 175 | $ - | $ 175 | $ - |
| Ratio of net charge-offs to average total loans | (0.009)% | (0.006)% | (0.046)% | (0.016)% |
| Ratio of net charge-offs to average total loans, annualized | (0.038)% | (0.023)% | (0.046)% | (0.016)% |

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

| (In thousands) | As of December 31, 2023 | As of September 30, 2023 | As of December 31, 2022 |
|---|---|---|---|
| **CREDIT CONCENTRATIONS** | | | |
| **North Dakota** | | | |
| Commercial and industrial | $ 62,019 | $ 61,295 | $ 61,784 |
| Construction | 5,247 | 18,582 | 13,930 |
| Agricultural | 35,220 | 33,272 | 30,799 |
| Land and land development | 7,992 | 6,505 | 6,524 |
| Owner-occupied commercial real estate | 35,260 | 32,102 | 34,683 |
| Commercial real estate | 135,858 | 123,673 | 114,937 |
| Small business administration | 18,046 | 17,660 | 18,671 |
| Consumer | 88,066 | 88,863 | 81,026 |
| Subtotal gross loans held for investment | $ 387,708 | $ 381,952 | $ 362,354 |
| **Consolidated** | | | |
| Commercial and industrial | $ 93,949 | $ 93,702 | $ 96,389 |
| Construction | 21,648 | 43,612 | 24,690 |
| Agricultural | 37,720 | 35,795 | 30,850 |
| Land and land development | 8,416 | 8,129 | 10,758 |
| Owner-occupied commercial real estate | 84,386 | 80,902 | 78,190 |
| Commercial real estate | 245,939 | 231,251 | 230,243 |
| Small business administration | 63,836 | 59,905 | 48,638 |
| Consumer | 111,872 | 110,572 | 95,891 |
| Total gross loans held for investment | $ 667,766 | $ 663,868 | $ 615,649 |