

Northpointe Bancshares, Inc.
Q3 2025 Earnings Call
October 22, 2025

Presenters

Brad Howes, CFO

Chuck Williams, CEO

Kevin Comps, President

Q&A Participants

Crispin Love - Piper Sandler

Damon DelMonte - KBW

Operator

Greetings. Welcome to Northpointe Bancshares, Inc. Third Quarter 2025 Earnings Call. At this time, all participants are in a listen-only mode. A brief question and answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press "*" "0" on your telephone keypad. Please note, this conference is being recorded. I will now turn the conference over to Brad Howes, CFO. Thank you. You may begin.

Bradley Howes

Thank you. Good morning, and welcome to Northpointe's Third Quarter 2025 Earnings Call. My name is Brad Howes, and I'm the Chief Financial Officer. With me today are Chuck Williams, our Chairman and CEO, and Kevin Comps, our President. Additional earnings materials, including the presentation slides that we will refer to on today's call, are available on Northpointe's Investor Relations website, ir.northpointe.com.

As a reminder, during today's call, we may make forward-looking statements, which are subject to risks and uncertainties and are intended to be covered by the safe harbor provisions of federal securities law. For a list of factors that may cause actual results to differ materially from expectations, please refer to the disclosures contained within our SEC filings. We will also reference non-GAAP financial measures and encourage you to review the non-GAAP reconciliations provided in both our earnings release and presentation slides. The agenda for today's call will include prepared remarks followed by a question-and-answer session and then closing remarks. With that, I'll turn the call over to Chuck.

Charles Williams

Thank you, Brad. Good morning, everyone, and thank you for joining. Before I begin, I'd like to thank our Northpointe team for their incredible dedication and for their unwavering commitment to our clients and customers. The momentum that we have built across our business lines drove strong financial performance in the third quarter. That was highlighted by another quarter of very robust growth in our Mortgage Purchase Program, or MPP channel, which is our

distinctive alternative to the traditional mortgage warehouse lending model. We also experienced solid performance in our residential lending channel, including increased mortgage lock and application activity and a 23% annualized growth in our all-in-one loan portfolio.

On the funding side, we benefited from a new core custodial deposit relationship that we announced to you at the last earnings call. That drove approximately \$300 million increase in interest-bearing demand deposits from the prior quarter, helping to bolster our core deposits. We continue to explore new opportunities to grow our non-brokered deposit base. This remains one of the bank's most important strategic priorities.

Before I turn the call over to Kevin and Brad to dive into the details, I'd like to take a moment and share some highlights of our financial and operating performance. On Slide 4, we lay out our performance for the third quarter of 2025. For the quarter, we earned \$20.1 million or \$0.57 per diluted share. As you can see, we had a very strong performance ratios in the third quarter, highlighted by a 1.34% return on assets and 15.41% return on average tangible common equity.

Let me start with an update on MPP. We saw another quarter of exceptional performance in the MPP business, ending the quarter at \$3.4 billion in balances. This represents a balanced growth of \$473 million from the prior quarter and a remarkable \$1.7 billion from the third quarter of last year. We funded \$9.8 billion in loans through the channel in the third quarter, which is the highest quarterly level ever for Northpointe. Overall, we remain very pleased with the success and growth trajectory of the MPP business. I'm excited to report that through the first nine months of the year, we've already achieved our targeted full year growth for 2025 that we outlined during the IPO.

Importantly, we still have a robust pipeline, which positions us nicely for continued success for the remainder of 2025 and into 2026. With the success of the program I just outlined, we have now begun to utilize participations in the MPP program with partner financial institutions. We used this strategy in the past, helping to manage our balance sheet within our existing capital framework while optimizing our revenue streams. We currently have 12 participants in the program today, and we're looking to expand and add additional partner financial institutions going forward. Brad will provide additional guidance on the 2026 NPP growth, including participations during his remarks.

Our first lien home equity loan business, which are tied seamlessly to demand sweep account, experienced strong growth as well. For the quarter, these loans increased by \$38.8 million, which is an annualized growth rate of 23%. Residential mortgage application and interest rate lock commitments both increased during the third quarter.

This was largely attributable to the success of our mortgage originating professionals, including the new lenders that we have added over the past year. We also saw a nice pickup in refinance activity in September, which Kevin will discuss further. Our brand and reputation in the mortgage space allows us to continue to attract and retain the highest quality talent and to invest in

Northpointe's future. This quarter, we continue to add new mortgage originating professionals to help us continue our growth in that business as well. Regardless of what happens with rates going forward, we will continue to take our share of the industry mortgage business, and we are well positioned to quickly capitalize on mortgage volumes should rates continue to decrease.

Asset quality has been a hot topic in this quarter in the banking sector. Let me emphasize that virtually all of our lending programs are backed by one to four family residential real estate, which is geographically dispersed throughout the United States. Our credit quality and risk management practices remain strong. Kevin will discuss more on this topic in his remarks. Our tangible book value increased by \$0.56 per share over the prior quarter. When you add back the impact of dividends paid, our tangible book value per share increased by 15.8% annualized. I'd like to turn the call over now to Kevin to talk about our business lines.

Kevin Comps

Thanks, Chuck, and good morning, everyone. On Slide 5, we highlight our MPP business, which is our version of mortgage warehouse lending. We utilize our proprietary state-of-the-art technology stack to offer a purchase program to mortgage bankers nationwide. As Chuck highlighted, we experienced tremendous success in that business, carrying the strong momentum we've built in the third quarter. Period ending balances increased by \$473.2 million or 65% annualized and average balances increased by over \$400 million from the prior quarter.

Let me break that down this quarter's growth a bit further. First, we increased facility size for six existing clients, which totaled \$225 million in additional capacity. Second, there were nine new clients brought in, which totaled \$345 million in additional capacity. And third, the overall utilization of our existing clients remains strong.

During the third quarter, we had average MPP participations of \$8.7 million. As we've reiterated on prior calls, participation remain an important component of our overall strategy allowing us to manage the balance sheet and expand net interest margin while driving higher fee income. We continue to generate very strong returns on the MPP business with average yields of 7.10% during the quarter.

If you include fees, these yields increased to 7.30%. These are both up from the prior quarter levels of 7.07% and 7.23%, respectively. About 40% of the MPP portfolio reprices immediately and the remainder reprices on the 15th of each month. A 25 basis point Fed funds rate decrease took place on September 17, so we will not see the complete impact on yields until the fourth quarter.

Now turning to Retail Banking on Slide 6, I'd like to highlight the results of the three main businesses within that segment. Starting with residential lending, which includes both our traditional retail and our consumer direct channels, we continue to perform well and take our share of industry volume. We closed \$636.6 million in mortgages during the third quarter, which is down slightly from \$665.5 million in the prior quarter.

Mortgage rate lock commitments and applications both increased from the prior quarter, bolstered by an increase in refinance volume in September. During the third quarter, we sold \$547.9 million, which represents approximately 86% of the total loans closed in the quarter, in line with prior quarters. Of that saleable production, 82% was in our traditional retail channel and 18% was in Consumer Direct. We sold approximately 79% of the saleable mortgage service released in the third quarter, which is consistent with second quarter.

Additionally, 72% of our overall production was purchased business in the third quarter, which is flat from second quarter level. With the decrease in mortgage rates that occurred during the third quarter of 2025, we saw an increase in overall refinance activity in that period. That increase came towards the later end of the quarter with September monthly refinance activity closer to 50% of the overall volume. For the quarter, we earned \$21.0 million in net sale of loans. That amount includes fair value increases on held for investment loan portfolio and a lender risk account as well as gains or losses on portfolio loan sales. If you exclude those items, net gain on sale of loans was flat to the prior quarter level, which Brad will cover in more detail.

We continue to look for opportunities to create additional efficiencies using technology and hire new talent lenders within the channel. In the third quarter, we continued to hire new mortgage professionals to help us continue to grow, bringing our total to 129 at quarter end.

In the middle of Slide 6, we highlight our additional deposit banking channel, where we feature a direct-to-customer platform and competitive product suite. Our funding strategy and deposit franchise are much different than those of a typical community bank and we believe our strategy is quite simple but very effective.

We ended the third quarter with \$4.8 billion in total deposits, up from \$4.5 billion in the second quarter. The breakout of these deposits is detailed in the appendix on Slide 12. The majority of our deposit growth compared to the prior quarter was from the new custodial deposit relationship we onboarded during the third quarter. This drove a \$306.9 million increase in interest-bearing demand deposits from the prior quarter. Custodial deposit balances remain a critical piece of our overall funding strategy and a key benefit of the servicing business.

As Chuck mentioned, we will continue to explore additional sources of non-brokered deposits. We also saw a \$34.3 million increase in noninterest-bearing demand deposits, which helped offset some of the runoff and the other deposit balances.

On the right side of Slide 6, we highlighted our specialty mortgage servicing channel, where we focus on servicing first lien home equity lines tied seamlessly to demand deposit sweep accounts, including what we commonly referred to as AIO loans. We continue to realize the savings from our strategy to private label outsourced, the nonspecialized mortgage servicing to a scale subservicer, while at the same time expanding the amount of loans we service and increasing loan servicing fees.

Excluding \$910,000 negative adjustment on the change in fair value of the MSR, we earned \$2.0 million in loan servicing fees for Q3, which is up from \$1.8 million in the prior quarter. Including loans we outsource to subservicer, we service 14,200 loans for others with a total UPB of \$4.5 billion as of the end of the quarter.

Turning lastly to asset quality on Slide 7. This remains one of the largest risk for any bank and one we continue to monitor very closely, especially in light of what we are seeing reported from other banks this quarter. Let me start by saying we are not seeing any systemic credit quality or borrower issues in any of our portfolios. We had net charge-offs of \$977,000 in the third quarter, which is up from \$488,000 in the prior quarter. That represents an annualized net charge-off ratio to average loans of 7 basis points, which is still very strong and well below historical long-term averages.

The charge-offs we took in the third quarter, similar to prior quarters, came from isolated occurrences. There were two larger mortgage charge-offs this quarter, totaling close to \$500,000. Both of those charge-offs stemmed from unique circumstances. In the vast majority of instances where we are dealing with a nonperforming loan, there is sufficient collateral to cover the unpaid principal balance, which usually leads to little or no loss. Outside of the higher level of charge-offs, our overall level of delinquent loans decreased and our asset quality metrics improved from the prior quarter.

Let me provide some additional details on this. First, total delinquent loans, including both loans past due 31 to 89 days and nonperforming loans decreased by \$4.6 million from the second quarter levels. Second, we have a very sophisticated and granular CECL process, and we spent a great deal of time analyzing the various risks. Our allowance for credit losses was \$12.3 million for the third quarter of 2025, which reflects our disciplined underwriting, diligent risk control, and low levels of loss history.

Third, at September 30, 2025, MPP represented 54% of all loans and we continue to experience pristine credit quality in that portfolio. Fourth, virtually all our loan portfolio is backed by residential real estate, which typically carries much lower average loss rates than other asset classes. And fifth, our residential mortgage portfolio is also high quality, seasoned, and geographically diverse. At September 30, 2025, our average FICO was 747 and our average LTV when you factor in mortgage insurance was 72%. Now I'd like to turn the call over to Brad to cover the financials.

Bradley Howes

Thanks, Kevin. One important note, as I go through today's slide presentation, I will be incorporating the remaining quarter of 2025 and full year 2026 guidance into my commentary. I'll begin on Slide 8. As a reminder, our non-GAAP reconciliation on Slide 14 provides details of the calculations and the reconciliation to the comparable GAAP measure for all our non-GAAP metrics.

Net interest income increased by \$3.8 million over the prior quarter. This reflected the growth in average balances along with a 3 basis point improvement in net interest margin from the prior quarter. Our yield on interest-earning assets benefited from the continued improvement in the mix of loans within the health for investment portfolio, up two basis points from the prior quarter.

We continue to experience strong growth in MPP and AIO loans, both of which carry higher average yields than the remainder of the loan portfolio. Our cost of funds was flat from the prior quarter. The slight decrease in our cost of interest-bearing deposits was offset by a slight increase in the cost of borrowings for the quarter. I'd expect to see more of an impact from the 25 basis point Fed funds rate decrease in the fourth quarter, which happened on September 17.

Our net interest margin was 2.47% for the third quarter. I'd expect us to stay at a 2.45% to 2.55% range for the full year 2025, but at the lower end of the range. For the full year 2026, I'm expecting the same 2.45% to 2.55% range, but that we would come in towards the higher end of that range.

My guidance assumed a continued improvement in the mix of loans within the HFI portfolio as well as 425 basis point Fed funds rate cuts in 2026, 1 per quarter. Average interest-earning assets increased by \$465.6 million from the prior quarter, given the strong growth in MPP and AIO balances, partially offset by continued runoff in the residential mortgage portfolio, and lower average balances of loans held for sale.

MPP balances ended the third quarter at \$3.36 billion as we have almost achieved our full year 2025 guidance by forecasting period ending balances to increase another \$50 million to \$100 million by year-end. Any additional growth above that, we would utilize participations for. For 2026, I'd expect our MPP loan balances to increase to between \$4.1 billion and \$4.3 billion by year-end. I'm also expecting an additional \$300 million to \$500 million on average will be participated out throughout 2026.

I am increasing the AIO loan balance guidance based on the strong growth in 2025. I'd expect period-ending loan balances of between \$740 million and \$760 million by year-end 2025, increasing to between \$900 million and \$1.0 billion by year-end 2026. Excluding MPP and AIO loans, I expect the rest of the loan portfolio to continue to decrease, ending 2025 between \$2.2 billion and \$2.3 billion and the decreasing to between \$1.9 billion and \$2.1 billion by year-end 2026.

Kevin provided additional details on the higher level of net charge-offs this quarter with total provisions for credit losses and unfunded commitments of \$828,000 in the third quarter 2025, which is up from \$583,000 in the prior quarter. We continue to experience a relatively low level of charge-offs relative to long-term historical averages. I'd expect that trend to continue with any additional provisions being driven by loan growth, credit migration trends, and changes in the

economic forecast. For the remaining quarter of 2025 and each quarter in 2026, I'd expect net charge-offs to be somewhere in the range of the prior two quarters.

Noninterest income increased by \$1.6 million from the prior quarter, which was driven primarily by higher gain on sale of loans. On the top of Slide 13, we break out 3 fair value assets and the associated quarterly increases or decreases. These assets tend to move up or down with interest rates and are not part of my revenue guidance each quarter. Net gain on the sale of loans was \$21.0 million for the third quarter and includes the capitalization of new MSRs, changes in fair value of loans, gains or losses on the sale of portfolio loans, and gain on the sale of loans.

On the bottom of Slide 13 and in our earnings release tables, we have added a new chart which helps further detail the components of our net gain and loan sale item. As you can see, third quarter net gain on the sale of loans included the \$2.2 million increase in the fair value of loans held for investment and lender risk account with the Federal Home Loan Bank. It also included \$1.2 million gain from the sale of non-AIO home equity loans disclosed last quarter. Excluding these items, net gain on the sale of loans would have been \$17.5 million, which is flat to the second quarter level on a comparable basis.

For 2025, I am forecasting total salable mortgage originations of \$2.1 billion to \$2.3 billion, with all-in margins of 2.75% to 3.25% on those mortgage originations. No change to my prior estimates. We've been closer to the top end of the range for the margin guidance in 2025, which should continue.

For 2026, I am forecasting total saleable mortgage originations of \$2.2 billion to \$2.4 billion, with all-in margins of 2.75% to 3.25% on those mortgage originations. That estimate does not assume any significant decrease in mortgage rates, nor does it include any changes in the current level of mortgage originations. I expect the gain on sale margins will shift to the middle or lower end of the range of the margin guidance, given the recent pricing pressures from other lenders in both agency and IQM space. I'd expect MPP fees to continue to increase from their current run rate and come in between \$5 million and \$6 million for the full year 2025.

For 2026, I'd expect MPP fees to increase to between \$9 million and \$11 million for the full year based on the expected participation balances and the continued growth in loans funded. Loan servicing fees were \$1.1 million for the third quarter of 2025 and included a fair value decrease of \$900,000 on the MSR asset. Excluding the fair value decrease, loan servicing fees were \$2 million for the quarter. I'd expect that quarterly run rate to increase slightly in the fourth quarter of 2025 and that increased between \$9 million and \$11 million for the full year of 2026.

Noninterest expense was up \$2.6 million from the prior quarter, driven primarily by higher salaries and benefits and higher FDIC premiums. Salaries and benefits expense was up \$2.1 million over the prior quarter, mostly in bonus and incentive comp. That line includes expenses related to our legacy stock appreciation rights plan, which is driven by increases or decreases in the stock price.

In the third quarter, we had an expense of \$935,000 from the increase in stock price relative to the second quarter level. The remainder of the higher bonus and incentive compensation expense was attributable to the improvement in business activity over the same period.

For the fourth quarter of 2025, I expect total net interest expense to be similar to the level in the third quarter of 2025. For the full year 2026, I'd expect total noninterest expense to be in the range of \$140 million to \$144 million.

Turning to the balance sheet on Slide 9. Total assets increased to \$6.8 billion for the third quarter of 2025. This was driven primarily by the increase in MPP and AIO loans partially offset by runoff from the remainder of the loan portfolio. Kevin provided details on our funding and deposits this quarter. Our wholesale funding ratio was 67.6% at September 30, 2025, down from the prior quarter level due to the new custodial deposit relationship. Looking forward, we'd expect to continue to fund MPP loan growth through a combination of brokered CDs, retail deposits, and other sources of non-broker deposits where possible.

Lastly, on Slide 10, we outlined our regulatory capital ratios, which are estimates pending completion of regulatory reports. Our capital levels remain strong, both at the bank and the consolidated entity level. We currently have \$77 million in Series A perpetual preferred stock, which resets to a floating rate in December 2025. We anticipate calling that preferred stock prior to year-end. If called, our goal would be to replace a significant portion of that preferred stock with subordinated debt.

We believe this strategy would optimize our capital stack, allowing us to continue our forecasted growth path while realizing significant annual cost savings at being accretive to earnings per share. We currently have \$3.2 million of unamortized deal issuance costs, which we expensed in the fourth quarter of 2025, if we call the Series A preferred stock. So with that, we're happy to take questions. Sherry (sp), can you please open the line for Q&A?

Operator

Thank you. If you would like to ask a question, please press “*” “1” on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press “*” “2” if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the “*” keys. Once again, it is “*” “1.” Our first question is from Crispin Love with Piper Sandler. Please proceed.

Crispin Love

Thank you. Good morning. Just drilling a little bit deeper on the NIM trajectory. I heard you on the guide for '25 and '26, the \$2.45 to \$2.55 level, low end and the high end. But when you look near term and into the beginning of 2026, can you talk a little bit about how you'd expect the NIM to trend off of the 2.47% level in 3Q, just as you think about a big picture given the repricing dynamics and then expected Fed rate cuts?

Bradley Howes

Sure. So based on what we've seen, I kind of outlined the September rate cut. We're still looking at the impact of that, which we'll see in the fourth quarter. I'll reiterate, we are mostly asset neutral as most of our assets and liabilities reprice within 30 days. There is a little bit of a negative effect in the short term from, I would say, a 25 basis point rate cut, but it's nothing significant.

So my guidance as we look from the margin from today out into 2026. I think we'll see continued improvement in the mix based on the fact that loans in our legacy portfolio were our first mortgages have lower average yields between 4% or 5%. As those roll off, we replace them with loans that are yielding today 7% or so with MPP or AIO. So we have a continued improvement in the mix. That will trend out throughout the course of 2026. So we see kind of small improvements to get us to the average of \$2.45 to \$2.55, but sort of at the top end of the range.

When we see the rate cuts, there's always a lag on MPP loans as those don't reprice predominantly until the 15th. So we were able to pick up a little bit of benefit from margin on that. But I think those are kind of the puts and takes into the guidance in 2026.

Crispin Love

Great. Appreciate the color there. And then just with the recent move in mortgage rates. Can you just discuss what you're seeing in the residential lending channel with volumes? And then what you might expect to see in the AIO product if mortgage rates continue to come down, how those volumes can trend just with that product, all floating rate, and the rate sensitivities there?

Kevin Comps

Sure. So I can start with how the lower rates are impacting our refinance production. So in September, we saw almost a increase in closed refinance volume versus the prior month alone. And then September locks were 50% refi, which is more than double the prior month level. And then specifically on AIO, the rate environment can affect AIO production, but the right borrowers, as we talked about previously as far as that product is really geared towards, we'll still be drawn towards that product, regardless of a small decrease in the rate environment.

Bradley Howes

And Chris, if I can just add something on the 2026 forecast. So when I gave you the sale of the mortgage origination volume and the balance sheet growth. Those were all predicated on for short-term rate increases or decreases, I should say. But that mortgage rates don't come down very significantly, I think 30 to 40 basis points, which would be consistent with any of the industry expectations as we sit today.

Crispin Love

Sounds good. Thanks for taking my questions.

Operator

As a reminder, it is “*” “1” on your telephone keypad if you would like to ask a question. Our next question is from Damon DelMonte with KBW. Please proceed.

Damon DelMonte

Hey. Good morning, guys. Hope you're all doing well today. So just first question on the servicing portfolio. It looks like the UPB on loan service for others was up around \$500 million this quarter. Any color on kind of what drove the increase?

Kevin Comps

So yes, we continue to ramp up our subservicing the AIO like products for various end investors. So we actually have added some additional new end investors with similar products over the last quarter. So we continue to ramp up that product specifically and then we continue to retain some of our MSRs as we sell our own production into the market. So we'll slowly continue to build that, as Brad mentioned in his forecast.

Damon DelMonte

Got it. And then with regards to the outlook for on deposit growth and adding more custodial accounts, obviously, a very sizable one came out in the third quarter. Do you think future relationships that you add would be of similar size? Or is this kind of a larger one that was out there and they'll be on a much smaller scale going forward?

Kevin Comps

Yes, Damon. So that was probably an outsized one to start with, but we definitely continue to look for additional sources of non-brokered funding, both with custodial and noncustodial sources of on brokered funds.

Damon DelMonte

Okay. Great. And then just lastly, on the expense guide, Brad, can you just go over your commentary on that? I didn't quite get all that.

Bradley Howes

Sure. So for the last quarter—for the fourth quarter this year, I'd expect our expected guidance to be similar to the third quarter level or total noninterest expense. For 2026, my guidance is \$140 million to \$144 million for the full year. The key drivers are going to be, I'd say, higher mortgage volume. You're going to have higher variable comp on that business. But the increase that we projected in saleable mortgage originations and AIO growth, we have improvement in business activity, which drives higher bonus and incentive comp. We always have a cost of living adjustment, which occurs March/April from annual merits. And then we have just continue to build out and strengthen our team and continue to develop our status as a public company and making sure our risk management practices are solid.

Damon DelMonte

Got it. Okay, great. That's all that I had for now. Thanks.

Operator

This will conclude our question-and-answer session. I would like to turn the floor back over to Chuck Williams for closing remarks.

Charles Williams

I want to thank everybody for joining today's call. Our results this quarter demonstrate the momentum we've gained as we continue to execute on our strategic plan. We remain nimble and opportunistic, focusing on delivering strong growth and long-term shareholder value while remaining diligent in our overall risk management. We appreciate all the trust and support for Northpointe. And with that, everyone, have a great day. Thanks again.

Operator

Thank you. This does conclude today's conference. You may disconnect at this time. Thank you for your participation.