

BNCCORP, INC.

AUDIT COMMITTEE CHARTER

Name

There will be a committee of the Board of Directors (the “Board”) of BNCCORP, Inc. to be known as the Audit Committee (the “Committee”).

Committee Purpose

The Committee is appointed by the Board to assist the Board in its oversight of: (i) the accounting and financial reporting processes of BNCCORP, Inc. and its subsidiaries (collectively, the “Company”), (ii) the integrity of the Company’s financial statements, (iii) the performance of the Company’s internal audit department and the internal audit process, (iv) the independence and performance of the Company’s independent auditors and the independent audit process, and (v) the compliance by the Company with legal and regulatory requirements.

Committee Membership

The Committee shall have at least three (3) members at all times. All of the members should be non-management directors of the Company, but the majority of members must be non-management directors.

Committee membership should be determined based upon consideration of the independence, experience and financial literacy requirements of the Nasdaq Stock Market, Inc. (“Nasdaq”). Compliance with these requirements is recommended, not mandated.

It is recommended, not mandated, at least one member will be an “audit committee financial expert” as defined by the Securities and Exchange Commission (the “SEC”) rulemaking.

The Board shall appoint the members of the Committee annually, and shall designate the Chairman of the Committee. Each member of the Committee shall serve until the earlier to occur of the date he or she is replaced by the Board, resigns from the Committee or resigns from the Board. The Board shall have the power at any time to change the membership of the Committee and to fill vacancies.

No Director may serve as a member of the Committee if he or she serves on the audit committee of more than three public companies unless the Board determines that such simultaneous service would not impair his or her ability to effectively serve on the Committee and discloses this determination in the Company’s annual proxy statement.

Meetings of Committee

The Committee shall meet at least four (4) times each fiscal year, and at such other times as are necessary to perform the functions described in this charter. The Committee shall maintain minutes or other records of its meetings and activities and shall make regular reports to the Board. At least annually, the Committee shall meet with management, the independent auditors, and representatives from the Company's internal audit department in separate executive sessions in furtherance of its purposes.

Committee Authority and Responsibilities

I. Committee Authority

- The Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal counsel, accountants, or other consultants to advise the Committee and assist it in carrying out its duties, and the Company shall provide for appropriate funding, as determined by the Committee, for the payment of compensation to such advisors.
- The Committee shall have the power to conduct or authorize investigations into any matters within the Committee's scope of responsibilities.
- The Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.
- The Committee shall, with the assistance of management, the independent auditors and legal counsel, as the Committee deems appropriate, review and evaluate, at least annually, this charter and the Committee's performance, and report and make appropriate recommendations to the Board with respect thereto.
- The Committee may delegate authority to one or more members, as appropriate, including but not limited to the authority to pre-approve audit services (other than the audit of the Company's annual financial statements) and permitted non-audit services, provided that decisions made pursuant to such delegated authority shall be presented to the full Committee at its next scheduled meeting.

II. Oversight of the Internal Audit Department and the Internal Audit Process

- There shall be open and direct communication between the internal audit department and the Committee.
- The Committee shall approve the Company's annual audit plan (based on the annual risk assessment and other regulatory and applicable audit-related requirements) and monitor compliance of the internal audit department therewith.

- The Committee shall consider and review with management and the internal audit department:
 - significant findings during the course of each internal audit and management's responses thereto;
 - any difficulties encountered in the course of the internal audit, including any restriction on the scope of the internal audit department's work or access to required information;
 - any changes required in the planned scope of the internal audit plan; and
 - the internal audit department's budget and staffing.

III. Appointment and Oversight of the Independent Auditors; Auditor Independence

The Committee shall have the authority to select and recommend to the Board the appointment of the independent auditors and shall approve in advance all audit and non-audit engagement fees and terms with the independent auditors. The Company shall provide for appropriate funding, as determined by the Committee, for the payment of compensation to the independent auditors.

The Committee shall approve all (i) audit services and (ii) non-audit services (including the fees and terms thereof) to be performed for the Company by the independent auditors. The Committee shall consider SEC rule making or regulations established by the Public Company Accounting Oversight Board prior to appointing the external auditor to render non-audit services.

- The Committee shall consider whether the provision of non-audit services by the independent auditors is compatible with maintaining the independent auditors' independence, including, but not limited to, the nature and scope of the specific non-audit services to be performed and whether the audit process would require the independent auditors to review any advice rendered by the independent auditors in connection with the provision of non-audit services.
- The Committee shall be directly responsible for approving the scope of the work of the independent auditors and arbitrating resolution of disagreements between management and the independent auditors regarding financial reporting.

The following functions shall be periodically performed by the Committee in carrying out its responsibilities with respect to the oversight of the independent auditors:

- Approve the scope of the work of the independent auditors' preparation and issuance of audit reports and related work.

- Evaluate the qualifications, performance and independence of the independent auditors, including a review and evaluation of the lead partner of the independent auditors, taking into account the opinions of the Company's management.
- Confirm annually that the independent auditors' firm is registered with the Public Company Accounting Oversight Board (once the Board begins accepting registrations) and that its registration is in good standing.
- Receive no less frequently than annually from the independent auditors the written disclosures required by Independence Standards Board Standard No. 1 and/or any other or superceding rules adopted by the SEC or the Public Company Accounting Oversight Board delineating all relationships between the independent auditors and the Company that may impact the objectivity and independence of the independent auditors. The report shall include a description of all services provided by the independent auditors and the related fees.
- Discuss no less frequently than annually with the independent auditors any disclosed relationships or services that may affect the independent auditors' objectivity and independence.
- Obtain and review a report from the independent auditors at least annually regarding (i) the independent auditors' internal quality-control procedures, (ii) any material issues raised by the most recent quality-control review or peer review of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, and (iii) any steps taken to deal with any such issues.

IV. Oversight of Quarterly Reporting Process

- Review, and discuss to the extent considered necessary, the earnings press release prior to its release.
- Review the effect of evolving regulatory and accounting issues on the financial statements of the Company.
- Review with management and representatives from the Company's internal audit department the effectiveness of the Company's internal controls and procedures for financial reporting, including information system controls and security, and any special audit steps adopted in light of material internal control deficiencies. Consider reviewing such matters with independent auditors.
- Discuss with management and representatives of the internal audit department about significant financial risks or exposures and assess with such parties and the independent auditors (i) the potential effect thereof on the financial condition and results of operations of the Company and (ii) the steps management has taken to

monitor and control such exposures, including the Company's risk assessment and risk management policies. Consider reviewing such matters with independent auditors.

- Review the Company's quarterly financial information made available to shareholders.

V. Oversight of Annual Financial Statement Audit

The Committee will:

- Review, in consultation with the independent auditors and the internal audit department, the audit scope and plan of the independent auditors and the internal audit department.
- Review with the independent auditors and the internal audit department the coordination of audit efforts regarding completeness of coverage, reduction of redundant efforts and the effective use of audit resources.
- Review with management and the independent auditors at the completion of the annual financial statement audit:
 - the results of the independent auditors' audit;
 - any significant changes required in the independent auditors' audit plan;
 - any problems, difficulties or differences encountered in the course of the audit work, including any restrictions on the scope of the independent auditors' activities or on access to required information, and management's response thereto;
 - any accounting adjustments that were noted or proposed by the independent auditors but were otherwise not implemented;
 - any analysis prepared by management or the independent auditors setting forth significant financial reporting issues, estimates and judgments made in connection with the preparation of the financial statements, including (i) analyses of the effects of alternative accounting treatments of financial information within accounting principles generally accepted in the United States of America ("GAAP"), (ii) ramifications of the use of such alternative disclosures and treatments, and (iii) the treatment preferred by the independent auditors;
 - all critical accounting policies and practices adopted by the Company regarding accounting principles and financial statement presentations, including any significant changes or choices in the Company's application of accounting principles;

- all material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences; and
- other matters related to the conduct of the audit which are to be communicated pursuant to professional standards.
- Obtain from the independent auditors all illegal acts detected by the independent auditors in the course of the audit.
- Review the Company's annual audited financial statements and the disclosures made.
- Recommend to the Company's Board, based on the Committee's review and discussion with management and the independent auditors, that the audited financial statements be made available to shareholders and other interested parties.

VI. Compliance with Laws, Regulations and Policies

The Committee will assist the Board in the oversight of the Company's compliance with policies and procedures addressing legal and ethical concerns. The following functions are some of the common recurring activities of the Committee in carrying out this oversight responsibility:

- Establish and review periodically the Committee's written procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding accounting, internal accounting controls or auditing matters.
- Review and approve all "related party transactions" and potential conflicts of interest.
- Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Company's Code of Ethics and Business Conduct.
- Approve any waivers of or changes to the Company's Code of Ethics and Business Conduct that affect the Company's directors, principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, and monitor compliance with related disclosure requirements.
- Obtain reports from management as to whether the Company is in conformity with applicable legal requirements and the Company's Code of Ethics and Business Conduct.
- Review with management and legal counsel (i) any legal or regulatory matters that may have a material impact on the Company's financial statements, compliance programs and policies and (ii) any material reports or inquiries relating to financial, accounting or other matters received from regulators or governmental agencies.

- Review matters noted in the reports to the Audit Committee by the internal audit department and the independent auditors and the progress made in responding to the exceptions.
- Periodically review the rules promulgated by the SEC and Nasdaq relating to the qualifications, activities, responsibilities and duties of audit committees. Consider the extent to which such rules should be adapted and recommend that the Board take appropriate action to implement.

Definition of Committee's Roles

The Committee's principal responsibility is one of oversight. The Company's management is responsible for preparing the Company's financial statements, and the independent auditors are responsible for auditing and/or reviewing those financial statements. While the Committee has the powers and responsibilities set forth in this charter, it is not the responsibility of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate, and present fairly the financial position, the results of operations and the cash flows of the Company, in compliance with GAAP. This is the responsibility of management and/or the independent auditors. In carrying out these oversight responsibilities, the Committee is not providing any expert or special assurance as to the Company's financial statements or any professional certification as to the independent auditors' work. It is also not the responsibility of the Committee to conduct investigations or to assure compliance with laws and regulations and the Company's Code of Ethics and Business Conduct.