



BNCCORP

NEWS RELEASE

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BNCCORP, INC. REPORTS FIRST QUARTER NET INCOME OF \$573 THOUSAND, OR \$0.07 PER DILUTED SHARE

2011 First Quarter Overview

- **Sale of certain branch assets and liabilities consummated**
- **Capital ratios of Bank improved by branch sale transaction**
- **Continued improvement in credit quality reflected in year-over-year decrease in nonperforming assets and lower provision for loan losses**

BISMARCK, ND, April 28, 2011 – BNCCORP, INC. (BNC or the Company) (OTC Markets: BNCC), which operates community banking and wealth management businesses in Arizona, Minnesota and North Dakota, and has mortgage banking offices in Iowa, Kansas, Nebraska, Missouri, Minnesota and Arizona, today reported financial results for the first quarter ended March 31, 2011.

Net income for the 2011 first quarter was \$573 thousand, or \$0.07 per diluted share. This compared to net income of \$2.190 million, or \$0.57 per diluted share, in the first quarter of 2010, which included \$2.505 million of gains on the sale of securities. In addition to sharply lower securities gains, the first quarter 2011 results reflect decreases in net interest income and non-interest income, offset by improvements in non-interest expenses and costs for credit and real

estate. Nonperforming assets have increased slightly since December 31, 2010, but decreased significantly since March 31, 2010.

Gregory K. Cleveland, BNCCORP President and Chief Executive Officer, stated, “Managing capital, credit issues and liquidity continues to be our focus. By completing the previously announced sale of branch deposits and assets this quarter, we improved our capital position as evidenced by the Bank’s total risk-based capital of 16.32% at March 31, 2011. Our nonperforming assets have steadied at the current level and we expect them to trend lower as the year progresses. Because we built liquidity in prior periods, we were positioned to complete the transfer of deposits. Going forward, we will reinvest our cash into higher earning assets, while continuing the emphasis on capital, credit and liquidity.”

First Quarter Results

Net interest income for the first quarter of 2011 was \$5.160 million, a decrease of \$1.178 million, or 18.6%, from \$6.338 million in the same period of 2010. The net interest margin for the current period decreased to 3.09% from 3.42% in the same period of 2010. The reduction in net interest income was influenced by lower interest rates, reduced balances of interest earning assets, and relatively high balances of liquid cash equivalents, which aggregated \$86.2 million at March 31, 2011. Management intends to judiciously deploy a significant portion of the cash equivalents into higher yielding assets during 2011.

The provision for credit losses was \$600 thousand in the first quarter of 2011, compared to \$2.000 million for the same period of 2010. Nonperforming loans were \$19.8 million at March 31, 2011, \$17.9 million at December 31, 2010 and \$33.9 million as of March 31, 2010.

Non-interest income for the first quarter of 2011 was \$4.036 million, a decrease of \$2.250 million, or 35.8%, from \$6.286 million in the same period of 2010. Mortgage banking revenues, which aggregated \$2.063 million, decreased by \$122 thousand, or 5.6%, from the first quarter of 2010. Low interest rates and government sponsorship in the secondary market have created conditions that generally favor mortgage banking. Despite these favorable conditions, the housing market remains problematic and the role of government in housing finance appears to be changing. Thus, the growth of mortgage banking revenues cannot be assured. The Company

recognized \$361 thousand in gains on sales of investment securities during the recent quarter, compared to \$2.505 million in the first quarter of 2010. The opportunity to sell assets at attractive prices can vary significantly from period to period. The 2011 first quarter included gains on sales of loans of \$488 thousand compared to a loss of \$2 thousand in the same period of 2010. The secondary market for SBA loans is currently acquisitive and loans can be sold for attractive prices.

Non-interest expense decreased by \$459 thousand, or 5.4%, to \$8.023 million in the first quarter of 2011, compared to \$8.482 million in the same period of 2010. The expense reduction reflects a decline in compensation of \$87 thousand, or 2.1%, reflecting management attempts to control costs. Occupancy costs also decreased by \$145 thousand, or 19.8%, due to the relocation of certain operations to smaller and less expensive locations, and a decrease in costs related to foreclosed assets of \$133 thousand, or 29.3% in the first quarter 2011 compared to the same period in 2010. These factors were partially offset by an increase in regulatory costs which are generally higher for the financial services industry.

No income tax expense was recognized during the first quarter of 2011. The Company has net operating loss carryforwards for federal tax purposes aggregating \$4.205 million. Due to tax loss carryforwards and attributes related to net deferred tax assets, the Company is not likely to record income tax expense for several profitable periods. A tax benefit of \$48 thousand, or 2.2% of pre-tax income, was recognized during the first quarter of 2010.

Net income available to common shareholders was \$234 thousand, or \$0.07 per diluted share, for the first quarter of 2011 after accounting for dividends accrued on preferred stock and the amortization of issuance discounts on preferred stock. These costs aggregated \$339 thousand in the first quarter of 2011 and \$324 thousand in the same period of 2010. Net income available to common shareholders in the first quarter of 2010 was \$1.866 million, or \$0.57 per diluted share.

Sale of Certain Assets and Deposits

On March 11, 2011 the previously announced sale of certain assets and liabilities was consummated. The sale includes BNC's Scottsdale, Arizona branch premises; certain Arizona-based deposit accounts and loans; and certain deposit accounts and loans of BNC's offices in

Minneapolis and Golden Valley, Minnesota. BNC continues to offer a full range of banking services in the Arizona and Minnesota markets following the sale.

The sale did not affect our North Dakota, wealth management, or mortgage banking operations.

Fraud Loss on Assets Serviced by Others

As previously reported, the Company discovered fraudulent activity in April of 2010 by an external company that was servicing residential mortgage loans for BNC. Subsequently, the Company and its advisors have been diligently addressing this matter. Our internal and external investigations have confirmed that this fraudulent activity was limited to this external servicing company and that no bank employees were involved in or were aware of this wrongful conduct by the servicing company. As such, we believe these losses are not indicative of other credit quality problems within our loan portfolio.

In 2010, we submitted claims under our fidelity insurance policies seeking to recover the insured portion of these losses. The policies together provide for total coverage of \$15 million. However, in the fourth quarter of 2010, our insurance carriers commenced a declaratory judgment action against the Company in an Arizona federal court seeking a judicial determination that the losses associated with the servicing fraud are not covered by the policies. We have subsequently counter sued the insurance carriers for failure to honor the policies and for acting in bad faith. We intend to vigorously pursue our claims to recover amounts due under the insurance policies and for losses incurred as a result of the carriers acting in bad faith. While management believes we have strong claims, there can be no assurances as to the outcome of this litigation, or if we will recover all or any portion of the insured amounts.

The Company is providing adjusted earnings in addition to reported results prepared in accordance with generally accepted accounting principles in order to present financial information without the impact of the fraud loss on assets serviced by others. The following table reconciles the net income available to common shareholders as prepared in accordance with generally accepted accounting principles to our determination of adjusted earnings:

	Three Months Ended March 31, 2011		Three Months Ended March 31, 2010	
	Amount	Diluted per share⁽¹⁾	Amount	Diluted per share⁽¹⁾
Net income available to common shareholders	\$ 234	\$ 0.07	\$ 1,866	\$ 0.57
Fraud loss on assets serviced by others	-	-	-	-
Accrued interest reversed on assets serviced by others	-	-	-	-
Legal and professional fees associated with the fraud loss on assets serviced by others	157	0.05	-	-
Adjusted earnings	<u>\$ 391</u>	<u>\$ 0.12</u>	<u>\$ 1,866</u>	<u>\$ 0.57</u>

(1) Per share amounts represent amounts available to common shareholders.

Assets, Liabilities and Equity

Total assets were \$683.6 million at March 31, 2011, a decrease of \$63.5 million, or 8.5%, compared to \$747.1 million at December 31, 2010. This decrease can primarily be attributed to the sale of certain assets consummated on March 11, 2011, resulting in the transfer of \$65.7 million of loans. Excluding the impact of the sale, loans held for investment decreased by \$33.3 million as we have attempted to reduce our exposure to credit risk.

Total deposits were \$602.6 million at March 31, 2011, decreasing by \$58.5 million from 2010 year-end. This decrease can primarily be attributed to the transfer of certain liabilities consummated on March 11, 2011, resulting in the transfer of \$76.7 million of deposits. Excluding the impact of branch sale, deposit balances increased by \$18.2 million.

Other borrowings decreased by \$2.3 million in the first quarter of 2011. Available borrowing capacity from the FHLB was approximately \$51.7 million as of March 31, 2011 and the Company had no FHLB advances outstanding at quarter end.

Total equity was \$35.4 million at March 31, 2011, compared to \$37.3 million at December 31, 2010. The book value per common share was \$4.50 as of March 31, 2011, compared to \$5.09 as of December 31, 2010. Excluding unrealized gains and losses on the investment portfolio, the book value per common share was \$4.40 as of March 31, 2011, compared to \$4.57 as of

December 31, 2010.

Trust assets under supervision were \$264.9 million at March 31, 2011, compared to \$223.8 million at December 31, 2010. The increase in assets under supervision relates to new deposits and appreciation of securities in 2011.

Regulatory Capital

Banks and their bank holding companies generally operate under separate regulatory capital requirements.

At March 31, 2011, BNCCORP's tier 1 leverage ratio was 6.23%, the tier 1 risk-based capital ratio was 12.24%, and the total risk-based capital ratio was 16.79%. Tangible common equity at March 31, 2011 was 2.16%.

At March 31, 2011, BNC National Bank had a tier 1 leverage ratio of 7.67%, a tier 1 risk-based capital ratio of 15.04%, and a total risk-based capital ratio of 16.32%. Tangible capital to tangible assets for BNC National Bank was 8.56%.

Asset Quality

Challenging economic conditions have led to elevated credit risk throughout the lending industry. As a result, the Company is carefully monitoring asset quality and taking what it believes to be prudent and appropriate action to strengthen its credit metrics.

Although nonperforming assets increased sequentially from the fourth quarter 2010 to the first quarter 2011, the Company's overall credit quality trends have steadily improved since late 2009. The provision for credit losses and other real estate costs decreased to \$800 thousand in the first quarter of 2011, from \$2.394 million in the first quarter of 2010. Nonperforming assets were \$32.4 million at March 31, 2011, \$30.6 million as of December 31, 2010 and \$40.2 million at March 31, 2010. The ratio of total nonperforming assets to total assets was 4.73% at March 31, 2011, compared with 4.09% at December 31, 2010 and 4.82% at March 31, 2010. Nonperforming loans were \$19.8 million at March 31, 2011, \$17.9 million at December 31, 2010

and \$33.9 million at March 31, 2010.

The allowance for credit losses was \$14.2 million, \$14.8 million and \$18.2 million at March 31, 2011, December 31, 2010 and March 31, 2010, respectively. The allowance for credit losses as a percentage of total loans at March 31, 2011 was 4.10%, compared with 3.84% (including the impact of the sale of assets) at December 31, 2010 and 3.24% at March 31, 2010. The allowance for credit losses as a percentage of loans and leases held for investment at March 31, 2011 was 4.38%, compared with 4.21% (including the impact of the sale of assets) at December 31, 2010 and 3.61% at March 31, 2010. The ratio of the allowance for credit losses to total nonperforming loans as of March 31, 2011 was 71%, compared with 83% (including the impact of the sale of assets) at December 31, 2010 and 54% at March 31, 2010.

At March 31, 2011, BNC had \$43.3 million of classified loans, \$19.5 million of loans on non-accrual and \$12.5 million of other real estate owned. At December 31, 2010, BNC had \$47.6 million of classified loans, \$17.9 million of loans on non-accrual and \$12.7 million of other real estate owned. At March 31, 2010, BNC had \$51.3 million of classified loans, \$33.3 million of loans on non-accrual and \$6.4 million of other real estate owned.

BNC has concentrations in real estate loans and mortgage banking relationships as shown in the table on page 15.

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 Arizona, Minnesota and North Dakota from 17 locations. BNC also conducts mortgage banking from 10 locations in Iowa, Kansas, Nebraska, Missouri, Minnesota and Arizona.

This news release may contain "forward-looking statements" within the meaning 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", "plan", "intend", "estimate", "may", "will",

“would”, “could”, “should”, or other expressions. We caution readers that these forward-looking statements, including, without limitation, those relating to our future business prospects, revenues, working capital, liquidity, capital needs, interest costs and income, are subject to certain risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements due to several important factors. These factors include, but are not limited to: 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 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.

(Financial tables attached)

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BNCCORP, INC.
CONSOLIDATED FINANCIAL DATA
(Unaudited)

(In thousands, except per share data)	For the Quarter Ended March 31,	
	2011	2010
SELECTED INCOME STATEMENT DATA		
Interest income	\$ 6,907	\$ 9,289
Interest expense	1,747	2,951
Net interest income	5,160	6,338
Provision for credit losses	600	2,000
Non-interest income	4,036	6,286
Non-interest expense	8,023	8,482
Income before income taxes	573	2,142
Income tax benefit	-	(48)
Net income	\$ 573	\$ 2,190
Preferred stock costs	(339)	(324)
Net income available to common shareholders	\$ 234	\$ 1,866
EARNINGS PER SHARE DATA		
Basic earnings per common share	\$ 0.07	\$ 0.57
Diluted earnings per common share	\$ 0.07	\$ 0.57

BNCCORP, INC.
CONSOLIDATED FINANCIAL DATA
(Unaudited)

(In thousands, except share data)	For the Quarter Ended March 31,	
	2011	2010
ANALYSIS OF NON-INTEREST INCOME		
Bank charges and service fees	\$ 560	\$ 617
Wealth management revenues	385	571
Mortgage banking revenues	2,063	2,185
Gains (losses) on sales of loans, net	488	(2)
Gains on sales of securities, net	361	2,505
Other	179	410
Total non-interest income	\$ 4,036	\$ 6,286
ANALYSIS OF NON-INTEREST EXPENSE		
Salaries and employee benefits	\$ 4,013	\$ 4,100
Professional services	737	765
Data processing fees	685	602
Occupancy	586	731
Regulatory costs	516	385
Other real estate costs	321	454
Marketing and promotion	314	330
Depreciation and amortization	297	331
Office supplies and postage	145	150
Other	409	634
Total non-interest expense	\$ 8,023	\$ 8,482
WEIGHTED AVERAGE SHARES		
Common shares outstanding (a)	3,283,839	3,281,719
Incremental shares from assumed conversion of options and contingent shares	-	-
Adjusted weighted average shares (b)	3,283,839	3,281,719

(a) Denominator for Basic Earnings Per Common Share

(b) Denominator for Diluted Earnings Per Common Share

BNCCORP, INC.
CONSOLIDATED FINANCIAL DATA
(Unaudited)

(In thousands, except share, per share and full time equivalent data)	As of		
	March 31, 2011	December 31, 2010	March 31, 2010
SELECTED BALANCE SHEET DATA			
Total assets	\$ 683,646	\$ 747,069	\$ 834,334
Loans held for sale-mortgage banking	20,141	29,116	20,408
Participating interests in mortgage loans	1,705	4,888	36,086
Other loans held for sale	-	72,212	-
Loans and leases held for investment	323,713	350,501	504,578
Total loans	345,559	455,006	561,072
Allowance for credit losses ⁽¹⁾	-	(16,476)	-
Allowance for credit losses ⁽²⁾	(14,176)	(14,765)	(18,195)
Investment securities available for sale	213,556	137,032	179,170
Other real estate, net	12,506	12,706	6,357
Earning assets	626,909	680,002	777,438
Deposits held for sale	-	107,446	-
Total deposits	602,643	661,111	731,685
Core deposits	535,719	594,152	621,399
Other borrowings	38,150	40,463	32,261
Cash and cash equivalents	86,188	112,847	61,446
(1) Excluding impact of sale			
(2) Including impact of sale			
OTHER SELECTED DATA			
Net unrealized gains in investment portfolio, pretax	\$ 546	\$ 2,789	\$ 1,696
Trust assets under supervision	\$ 264,860	\$ 223,829	\$ 362,010
Total common stockholders' equity	\$ 14,870	\$ 16,835	\$ 42,925
Book value per common share	\$ 4.50	\$ 5.09	\$ 13.05
Effect of net unrealized gains on securities available for sale, net of tax, on book value per common share	\$ 0.10	\$ 0.52	\$ 0.71
Book value per common share, excluding effect of unrealized gains on securities	\$ 4.40	\$ 4.57	\$ 12.34
Full time equivalent employees	264	281	313
Common shares outstanding	3,302,926	3,304,339	3,290,219
CAPITAL RATIOS			
Tier 1 leverage (Consolidated)	6.23%	6.17%	9.43%
Tier 1 risk-based capital (Consolidated)	12.24%	9.46%	13.54%
Total risk-based capital (Consolidated)	16.79%	13.23%	15.34%
Tangible common equity (Consolidated)	2.16%	2.24%	5.12%
Tier 1 leverage (BNC National Bank)	7.67%	7.53%	9.11%
Tier 1 risk-based capital (BNC National Bank)	15.04%	11.53%	12.98%
Total risk-based capital (BNC National Bank)	16.32%	12.80%	14.25%
Tangible capital (BNC National Bank)	8.56%	8.00%	9.64%

BNCCORP, INC.
CONSOLIDATED FINANCIAL DATA
(Unaudited)

(In thousands)	For the Quarter Ended March 31,	
	2011	2010
AVERAGE BALANCES		
Total assets	\$ 759,164	\$ 850,644
Loans held for sale-mortgage banking	15,649	16,159
Participating interests in mortgage loans	1,898	33,737
Loans and leases held for investment	394,453	510,692
Total loans	412,000	560,588
Investment securities available for sale	161,764	197,454
Earning assets	695,467	786,752
Total deposits	671,742	737,691
Core deposits	604,813	625,604
Total equity	36,799	62,668
Cash and cash equivalents	145,002	38,562
KEY RATIOS		
Return on average common stockholders' equity	5.83%	17.86%
Return on average assets	0.31%	1.04%
Net interest margin	3.09%	3.42%
Efficiency ratio	87.24%	67.19%
Efficiency ratio, excluding gains on sales of securities and provisions for real estate losses	88.55%	79.93%

BNCCORP, INC.
CONSOLIDATED FINANCIAL DATA
(Unaudited)

(In thousands)	As of		
	March 31, 2011	December 31, 2010	March 31, 2010
ASSET QUALITY			
Loans 90 days or more delinquent and still accruing interest	\$ 370	\$ -	\$ 570
Non-accrual loans	19,479	17,862	33,282
Total nonperforming loans	\$ 19,849	\$ 17,862	\$ 33,852
Other real estate, net	12,506	12,706	6,357
Total nonperforming assets	\$ 32,355	\$ 30,568	\$ 40,209
Allowance for credit losses ⁽¹⁾	\$ -	\$ 16,476	\$ -
Allowance for credit losses ⁽²⁾	\$ 14,176	\$ 14,765	\$ 18,195
Ratio of total nonperforming loans to total loans	5.74%	3.93%	6.03%
Ratio of total nonperforming assets to total assets	4.73%	4.09%	4.82%
Ratio of allowance for credit losses to loans and leases held for investment ⁽¹⁾	-	4.70%	-
Ratio of allowance for credit losses to total loans ⁽¹⁾	-	3.62%	-
Ratio of allowance for credit losses to nonperforming loans ⁽¹⁾	-	92%	-
Ratio of allowance for credit losses to loans and leases held for investment ⁽²⁾	4.38%	4.21%	3.61%
Ratio of allowance for credit losses to total loans ⁽²⁾	4.10%	3.84%	3.24%
Ratio of allowance for credit losses to nonperforming loans ⁽²⁾	71%	83%	54%

(1) Excluding impact of sale

(2) Including impact of sale

(In thousands)	For the Quarter Ended March 31,	
	2011	2010
Changes in Nonperforming Loans:		
Balance, beginning of period	\$ 17,862	\$ 35,890
Additions to nonperforming	6,179	1,045
Charge-offs	(1,292)	(1,819)
Reclassified back to performing	-	-
Principal payments received	(2,900)	(1,264)
Transferred to other real estate owned	-	-
Balance, end of period	\$ 19,849	\$ 33,852

BNCCORP, INC.
CONSOLIDATED FINANCIAL DATA
(Unaudited)

(In thousands)	For the Quarter Ended March 31,	
	2011	2010
Changes in Other Real Estate:		
Balance, beginning of period	\$ 12,706	\$ 7,253
Transfers from nonperforming loans	-	-
Real estate sold	-	(358)
Net gains (losses) on sales of assets	-	(144)
Provision	(200)	(394)
Balance, end of period	<u>\$ 12,506</u>	<u>\$ 6,357</u>

(In thousands)	For the Quarter Ended March 31,	
	2011	2010
Changes in Allowance for Credit Losses:		
Balance, beginning of period	\$ 16,476	\$ 18,047
Provision	600	2,000
Loans charged off	(1,299)	(1,881)
Loan recoveries	30	29
Transferred with loan sale	(1,631)	-
Balance, end of period	<u>\$ 14,176</u>	<u>\$ 18,195</u>
Ratio of net charge-offs to average total loans	(0.308)%	(0.330)%
Ratio of net charge-offs to average total loans, annualized	(1.232)%	(1.321)%

BNCCORP, INC.
CONSOLIDATED FINANCIAL DATA
(Unaudited)

(In thousands)	As of	
	March 31, 2011	December 31, 2010
CREDIT CONCENTRATIONS		
North Dakota		
Commercial and industrial	\$ 73,401	\$ 80,536
Construction	977	1,029
Agricultural	11,170	13,673
Land and land development	10,602	10,682
Owner-occupied commercial real estate	24,309	24,941
Non-owner-occupied commercial real estate	12,276	12,567
Small business administration	2,581	3,116
Consumer/participating interests	13,915	15,820
Subtotal	\$ 149,231	\$ 162,364
Arizona		
Commercial and industrial	\$ 2,961	\$ 9,243
Construction	-	-
Agricultural	-	-
Land and land development	8,514	8,621
Owner-occupied commercial real estate	-	19,286
Non-owner-occupied commercial real estate	22,120	28,560
Small business administration	7,405	8,937
Consumer/participating interests	4,684	10,319
Subtotal	\$ 45,684	\$ 84,966
Minnesota		
Commercial and industrial	\$ 857	\$ 3,656
Construction	2,082	2,002
Agricultural	31	30
Land and land development	4,526	7,903
Owner-occupied commercial real estate	1,015	16,555
Non-owner-occupied commercial real estate	16,645	19,524
Small business administration	186	885
Consumer/participating interests	691	6,430
Subtotal	\$ 26,033	\$ 56,985