



# BNCCORP

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## NEWS RELEASE

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FOR FURTHER INFORMATION:

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### **BNCCORP, INC. REPORTS SECOND QUARTER NET INCOME OF \$649 THOUSAND, OR \$0.09 PER DILUTED SHARE**

#### **2011 Second Quarter Overview**

- **Credit quality continues to improve as nonperforming assets decrease by \$7.5 million, or 23.2%, in the second quarter**
- **Tier 1 leverage ratio of Bank improves to 8.81%, the Bank's total risk based capital is 17.06%**

BISMARCK, ND, July 26, 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 second quarter ended June 30, 2011.

Net income for the 2011 second quarter was \$649 thousand, or \$0.09 per diluted share. The 2011 second quarter results reflect lower net interest income and non-interest income, offset by significant improvements in costs for credit losses and non-interest expenses when compared to the second quarter of 2010. Nonperforming assets decreased \$7.5 million, or 23.2%, since March 31, 2011 and nonperforming assets have decreased \$12.1 million, or 32.8%, since June 30, 2010. As previously reported, the second quarter of 2010 resulted in a net loss of \$(25.221) million, or \$(7.79) per diluted share, when results were significantly impacted by a charge of \$26.231

million related to a fraud loss on assets serviced by others.

Gregory K. Cleveland, BNCCORP President and Chief Executive Officer, stated, “Our results for the 2011 second quarter reveal that BNC is a profitable, resilient financial institution that remains dedicated to serving the financial needs of its marketplace. We are pleased that nonperforming assets decreased significantly this quarter and expect them to trend lower as the year progresses. While our capital ratios at the Bank have improved significantly since the beginning of the year, we will continue to manage capital, credit and liquidity intensely as the economic environment remains challenging.”

Mr. Cleveland continued, “Recently the river systems in North Dakota and further down the Missouri River have experienced floods and water levels not witnessed for decades. Thus far, the impact on BNC appears manageable, but for many of our employees, and the communities we serve, there will be hardship. BNC will support the communities we serve. I also express appreciation for the extraordinary resolve our employees have exhibited in the last few weeks.”

### **Second Quarter Results**

Net interest income for the second quarter of 2011 was \$4.696 million, a decrease of \$1.117 million, or 19.2%, from \$5.813 million in the same period of 2010. The net interest margin for the current period decreased to 3.15% from 3.20% in the same period of 2010. The reduction in net interest income was influenced by reduced assets and the continuing low interest rate environment. During the second quarter the average balance of investments increased by \$55.8 million, or 34.5%, as we continue to deploy cash reserves built in previous periods.

The provision for credit losses was \$500 thousand in the second quarter of 2011, compared to \$1.500 million in the 2010 period. In the second quarter nonperforming loans have decreased \$9.0 million, or 45.1%, from \$19.8 million at March 31, 2011, to \$10.9 million at June 30, 2011. Since June 30, 2010 nonperforming loans have decreased \$13.8 million, or 55.9%.

Non-interest income for the second quarter of 2011 was \$4.717 million, a decrease of \$843 thousand, or 15.2% from \$5.560 million in the same period of 2010. Mortgage banking revenues, which aggregated \$2.287 million, decreased by \$542 thousand, or 19.2%, from the second

quarter of 2010. While low interest rates and government sponsorship in the secondary market have created conditions that recently have favored mortgage banking, the housing market remains problematic and the future role of government appears uncertain; thus continued level of mortgage banking revenues cannot be assured. Gains on sales of investment securities were \$835 thousand during the recent quarter compared to \$1.368 million in the second quarter of 2010. The opportunity to sell assets at attractive prices can vary significantly from period to period. The 2011 second quarter included gains on sales of loans of \$412 thousand compared to no similar gains in the same period of 2010. The secondary market for SBA loans is currently acquisitive and loans can be sold for attractive prices. Wealth management revenues decreased in the second quarter of 2011 compared to the same period in 2010 as we have exited certain product offerings.

Non-interest expense decreased by \$481 thousand, or 5.5%, to \$8.262 million in the second quarter of 2011 compared to \$8.743 million in the same period of 2010 (excluding the fraud loss on assets serviced by others of \$26.231 million). The expense reduction reflects a decline in compensation of \$238 thousand, or 6.1%, reflecting management's efforts to control costs. Occupancy costs also decreased by \$217 thousand, or 31.1%, due to the relocation of certain operations to smaller and less expensive locations and the sale of one branch in the first quarter of 2011. Professional fees decreased by \$253 thousand, or 18.7%, due to lower activity in mortgage banking operations. These factors were partially offset by an increase in regulatory costs, which are generally higher for the financial services industry.

Tax expense of \$2 thousand was recognized during the second quarter of 2011. Although the Company has net operating loss carryforwards for federal tax purposes aggregating \$8.574 million, a provision for taxes was recorded in the second quarter for miscellaneous state obligations. Due to the Company's full valuation allowance and its tax loss carryforwards, the Company is not likely to record significant income tax expense for several profitable periods. A tax expense of \$120 thousand, or 0.5% of pre-tax loss, was recognized during the second quarter of 2010.

Net income available to common shareholders was \$304 thousand, or \$0.09 per diluted share, for the second quarter of 2011 after accounting for dividends accrued on preferred stock and the amortization of issuance discounts on preferred stock. These costs aggregated \$345 thousand in

the second quarter of 2011 and \$331 thousand in the same period of 2010. Net loss available to common shareholders in the second quarter of 2010 was \$(25.552) million, or \$(7.79) per diluted share.

### **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 countersued 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:

	<b>Three Months Ended June 30, 2011</b>		<b>Six Months Ended June 30, 2011</b>	
	<b>Amount</b>	<b>Diluted per share<sup>(1)</sup></b>	<b>Amount</b>	<b>Diluted per share<sup>(1)</sup></b>
Net income available to common shareholders	\$ 304	\$ 0.09	\$ 538	\$ 0.16
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	229	0.07	387	0.12
Adjusted earnings	<u>\$ 533</u>	<u>\$ 0.16</u>	<u>\$ 925</u>	<u>\$ 0.28</u>

	<b>Three Months Ended June 30, 2010</b>		<b>Six Months Ended June 30, 2010</b>	
	<b>Amount</b>	<b>Diluted per share<sup>(1)</sup></b>	<b>Amount</b>	<b>Diluted per share<sup>(1)</sup></b>
Net loss available to common shareholders	\$ (25,552)	\$ (7.79)	\$ (23,686)	\$ (7.22)
Fraud loss on assets serviced by others	26,231	8.00	26,231	8.00
Accrued interest reversed on assets serviced by others	287	0.08	287	0.08
Legal and professional fees associated with the fraud loss on assets serviced by others	401	0.13	401	0.13
Adjusted earnings	<u>\$ 1,367</u>	<u>\$ 0.42</u>	<u>\$ 3,233</u>	<u>\$ 0.99</u>

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

### **Six Months Ended June 30, 2011**

Net interest income for the six month period ended June 30, 2011 was \$9.856 million, a decrease of \$2.295 million, or 18.9%, from \$12.151 million in the same period of 2010. The net interest margin for the current period decreased to 3.12% from 3.24% in the same period of 2010. The reduction in net interest income was influenced by reduced assets and the continuing low interest rate environment. During the first half of 2011, the balance of investments increased by \$83.5 million, or 60.9%, as we have deployed cash reserves built in previous periods.

The provision for credit losses was \$1.100 million in the first six months of 2011, compared to \$3.500 million in the first six months of 2010. Nonperforming loans have decreased by 39.0%, or \$7.0 million, since December 31, 2010, and management continues to monitor the credit

portfolio diligently.

Non-interest income for the first six months of 2011 was \$8.753 million, a decrease of \$3.093 million, or 26.1% from \$11.846 million in 2010. Mortgage banking revenues decreased by \$664 thousand, or 13.2%, from \$5.014 million in 2010, to \$4.350 million. Gains on sales of investment securities aggregated \$1.196 million during the first six months of 2011 compared to \$3.873 million during the first six months of 2010. The opportunity to sell assets at attractive prices can vary from period to period. The investment portfolio continues to have net unrealized gains as of June 30, 2011. The gains on sales of loans which aggregated \$900 thousand in the first half of 2011 related to sales of SBA loans, whereas there was no gain on sales of loans in the first half of 2010. Wealth management revenues decreased in 2011 compared to 2010 and this trend is expected to continue as we have exited two lines of business within the wealth management operations.

Non-interest expense decreased by \$940 thousand, or 5.5%, to \$16.285 million in the first six months of 2011, compared to \$17.225 million in the first six months of 2010 (excluding the fraud loss on assets serviced by others). The expense reduction reflects a decline in compensation of \$325 thousand, or 4.1%, reflecting management's efforts to control costs. Occupancy costs also decreased by \$362 thousand, or 25.4%, due to the relocation of certain operations to smaller and less expensive locations and the sale of one branch in the first quarter of 2011. Professional fees decreased by \$281 thousand, or 13.3%, due to lower activity in mortgage banking operations in the first six months of 2011. These factors were partially offset by an increase in regulatory costs, which are generally higher for the financial services industry.

Tax expense of \$2 thousand was recognized during the six month period ended June 30, 2011. Although the Company has net operating loss carryforwards aggregating \$8.574 million for federal tax purposes, a provision for taxes was recorded in 2011 for state tax obligations. Due to the Company's full valuation allowance and its tax loss carryforwards, the Company is not likely to record significant income tax expense for several profitable periods. Tax expense in the first six months of 2010 was \$72 thousand, or 0.31% of pre-tax losses.

Net income available to common shareholders was \$538 million, or \$0.16 per diluted share, for the six months ended June 30, 2011 after accounting for dividends accrued on preferred stock

and the amortization of issuance discounts on preferred stock. Net loss available to common shareholders was \$(23.686) million, or \$(7.22) per share, for the six months ended June 30, 2010.

### **Assets, Liabilities and Equity**

Total assets were \$633.0 million at June 30, 2011, a decrease of \$114.1 million, or 15.3%, 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 \$48.4 million as we have implemented measures to reduce our exposure to credit risk and concentrations within certain segments of our loan portfolio.

Total deposits were \$549.3 million at June 30, 2011, decreasing by \$111.8 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 \$107.4 million of deposits. Excluding the impact of the branch sale, deposit balances decreased by \$4.4 million. This decrease relates primarily to the withdrawal of one Wealth Management deposit of approximately \$12 million which had been temporarily deposited with us.

Other borrowings decreased by \$1.8 million in the first half of 2011. Available borrowing capacity from the FHLB was approximately \$56.6 million as of June 30, 2011 and the Company had no FHLB advances outstanding at quarter end.

Total equity was \$37.3 million at June 30, 2011 and December 31, 2010. The book value per common share was \$5.05 as of June 30, 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 \$4.67 as of June 30, 2011, compared to \$4.57 as of December 31, 2010.

Trust assets under supervision were \$241.0 million at June 30, 2011, compared to \$223.8 million at December 31, 2010. The increase in assets under supervision relates to appreciation of securities in 2011.

## **Regulatory Capital**

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

At June 30, 2011, BNCCORP's tier 1 leverage ratio was 7.10%, the tier 1 risk-based capital ratio was 12.74%, and the total risk-based capital ratio was 17.43%. Tangible common equity at June 30, 2011 was 2.62%.

At June 30, 2011, BNC National Bank had a tier 1 leverage ratio of 8.81%, a tier 1 risk-based capital ratio of 15.79%, and a total risk-based capital ratio of 17.06%. Tangible capital to tangible assets for BNC National Bank was 9.67%.

## **Asset Quality**

Challenging economic conditions have led to elevated credit risk throughout the banking 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.

Nonperforming assets declined significantly to \$24.8 million at June 30, 2011, compared to \$30.6 million as of December 31, 2010 and \$37.0 million at June 30, 2010. The ratio of total nonperforming assets to total assets was 3.92% at June 30, 2011, compared with 4.09% at December 31, 2010 and 4.93% at June 30, 2010.

Nonperforming loans declined to \$10.9 million at June 30, 2011, compared to \$17.9 million at December 31, 2010 and \$24.7 million at June 30, 2010. The provision for credit losses and other real estate costs decreased to \$700 thousand in the second quarter of 2011, from \$1.740 million in the second quarter of 2010.

The allowance for credit losses was \$11.0 million, \$14.8 million and \$18.2 million at June 30, 2011, December 31, 2010 and June 30, 2010, respectively. The allowance for credit losses as a percentage of total loans at June 30, 2011 was 3.22%, compared with 3.84% at December 31, 2010 and 3.48% at June 30, 2010. The allowance for credit losses as a percentage of loans and

leases held for investment at June 30, 2011 was 3.53%, compared with 4.21% at December 31, 2010 and 3.78% at June 30, 2010.

The ratio of the allowance for credit losses to total nonperforming loans as of June 30, 2011 was 101%, compared with 83% at December 31, 2010 and 74% at June 30, 2010.

At June 30, 2011, BNC had \$29.8 million of classified loans, \$10.9 million of loans on non-accrual and \$14.0 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 June 30, 2010, BNC had \$50.0 million of classified loans, \$24.7 million of loans on non-accrual and \$12.3 million of other real estate owned.

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 June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
<b>SELECTED INCOME STATEMENT DATA</b>				
Interest income	\$ 6,256	\$ 8,451	\$ 13,163	\$ 17,740
Interest expense	1,560	2,638	3,307	5,589
Net interest income	4,696	5,813	9,856	12,151
Provision for credit losses	500	1,500	1,100	3,500
Non-interest income	4,717	5,560	8,753	11,846
Non-interest expense	8,262	34,974	16,285	43,456
Income (loss) before income taxes	651	(25,101)	1,224	(22,959)
Income tax expense	2	120	2	72
Net income (loss)	649	(25,221)	1,222	(23,031)
Preferred stock costs	(345)	(331)	(684)	(655)
Net income (loss) available to common shareholders	\$ 304	\$ (25,552)	\$ 538	\$ (23,686)
<b>EARNINGS PER SHARE DATA</b>				
Basic earnings (loss) per common share	\$ 0.09	\$ (7.79)	\$ 0.16	\$ (7.22)
Diluted earnings (loss) per common share	\$ 0.09	\$ (7.79)	\$ 0.16	\$ (7.22)

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

(In thousands, except share data)	For the Quarter Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
<b>ANALYSIS OF NON-INTEREST INCOME</b>				
Bank charges and service fees	\$ 573	\$ 582	\$ 1,133	\$ 1,199
Wealth management revenues	332	590	717	1,161
Mortgage banking revenues	2,287	2,829	4,350	5,014
Gains on sales of loans, net	412	-	900	-
Gains on sales of securities, net	835	1,368	1,196	3,873
Other	278	191	457	599
Total non-interest income	\$ 4,717	\$ 5,560	\$ 8,753	\$ 11,846
<b>ANALYSIS OF NON-INTEREST EXPENSE</b>				
Salaries and employee benefits	\$ 3,655	\$ 3,893	\$ 7,668	\$ 7,993
Professional services	1,100	1,353	1,837	2,118
Data processing fees	696	666	1,381	1,268
Occupancy	480	697	1,066	1,428
Regulatory costs	476	443	992	828
Marketing and promotion	406	344	720	674
Other real estate costs	356	278	677	732
Depreciation and amortization	295	322	592	653
Office supplies and postage	137	156	282	306
Fraud loss on assets serviced by others	-	26,231	-	26,231
Other	661	591	1,070	1,225
Total non-interest expense	\$ 8,262	\$ 34,974	\$ 16,285	\$ 43,456
<b>WEIGHTED AVERAGE SHARES</b>				
Common shares outstanding (a)	3,282,426	3,281,719	3,283,839	3,281,719
Incremental shares from assumed conversion of options and contingent shares	-	-	-	-
Adjusted weighted average shares (b)	3,282,426	3,281,719	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		
	June 30, 2011	December 31, 2010	June 30, 2010
<b>SELECTED BALANCE SHEET DATA</b>			
Total assets	\$ 633,033	\$ 747,069	\$ 751,142
Loans held for sale-mortgage banking	30,269	29,116	27,742
Participating interests in mortgage loans	609	4,888	14,274
Other loans held for sale	-	72,212	-
Loans and leases held for investment	312,473	350,501	480,463
Total loans	343,351	455,006	522,479
Allowance for credit losses <sup>(1)</sup>	-	(16,476)	-
Allowance for credit losses <sup>(2)</sup>	(11,045)	(14,765)	(18,170)
Investment securities available for sale	220,498	137,032	157,201
Other real estate, net	13,952	12,706	12,315
Earning assets	573,499	680,002	682,390
Deposits held for sale	-	107,446	-
Total deposits	549,305	661,111	670,372
Core deposits	489,386	594,152	589,765
Other borrowings	38,652	40,463	32,412
Cash and cash equivalents	26,379	112,847	29,718
<p>(1) Excluding impact of pending sale at December 31, 2010</p> <p>(2) Including impact of pending sale at December 31, 2010</p>			
<b>OTHER SELECTED DATA</b>			
Net unrealized gains in investment portfolio, pretax	\$ 2,018	\$ 2,789	\$ 1,350
Trust assets under supervision	\$ 241,034	\$ 223,829	\$ 365,197
Total common stockholders' equity	\$ 16,692	\$ 16,835	\$ 16,864
Book value per common share	\$ 5.05	\$ 5.09	\$ 5.12
Effect of net unrealized gains on securities available for sale, net of tax, on book value per common share	\$ 0.38	\$ 0.52	\$ 0.78
Book value per common share, excluding effect of unrealized gains on securities	\$ 4.67	\$ 4.57	\$ 4.34
Full time equivalent employees	254	281	293
Common shares outstanding	3,302,926	3,304,339	3,295,219
<b>CAPITAL RATIOS</b>			
Tier 1 leverage (Consolidated)	7.10%	6.17%	5.89%
Tier 1 risk-based capital (Consolidated)	12.74%	9.46%	8.22%
Total risk-based capital (Consolidated)	17.43%	13.23%	11.62%
Tangible common equity (Consolidated)	2.62%	2.24%	2.22%
Tier 1 leverage (BNC National Bank)	8.81%	7.53%	7.17%
Tier 1 risk-based capital (BNC National Bank)	15.79%	11.53%	9.95%
Total risk-based capital (BNC National Bank)	17.06%	12.80%	11.23%
Tangible capital (BNC National Bank)	9.67%	8.00%	7.85%

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

(In thousands)	For the Quarter Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
<b>AVERAGE BALANCES</b>				
Total assets	\$ 674,330	\$ 784,658	\$ 716,747	\$ 817,651
Loans held for sale-mortgage banking	21,528	21,522	18,588	18,841
Participating interests in mortgage loans	1,487	19,423	1,693	26,580
Loans and leases held for investment	319,993	498,627	357,223	504,659
Total loans	343,008	539,572	377,504	550,080
Investment securities available for sale	217,575	171,336	189,670	184,395
Earning assets	613,700	727,519	654,583	757,135
Total deposits	590,790	696,648	631,266	717,169
Core deposits	529,315	599,318	567,064	612,461
Total equity	36,156	46,896	36,477	54,782
Cash and cash equivalents	71,542	40,329	108,272	39,445
<b>KEY RATIOS</b>				
Return on average common stockholders' equity	7.81%	(386.30)%	6.80%	(138.68)%
Return on average assets	0.39%	(12.89)%	0.34%	(5.68)%
Net interest margin	3.15%	3.20%	3.12%	3.24%
Efficiency ratio	87.77%	307.52%	87.51%	181.09%
Efficiency ratio, excluding gains on sales of securities, provisions for real estate losses	93.98%	347.17%	91.22%	212.79%

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

(In thousands)	As of		
	June 30, 2011	December 31, 2010	June 30, 2010
<b>ASSET QUALITY</b>			
Loans 90 days or more delinquent and still accruing interest	\$ 1	\$ -	\$ 2
Non-accrual loans	10,891	17,862	24,680
Total nonperforming loans	\$ 10,892	\$ 17,862	\$ 24,682
Other real estate, net	13,952	12,706	12,315
Total nonperforming assets	\$ 24,844	\$ 30,568	\$ 36,997
Allowance for credit losses <sup>(1)</sup>	\$ -	\$ 16,476	\$ -
Allowance for credit losses <sup>(2)</sup>	\$ 11,045	\$ 14,765	\$ 18,170
Ratio of total nonperforming loans to total loans	3.17%	3.93%	4.72%
Ratio of total nonperforming assets to total assets	3.92%	4.09%	4.93%
Ratio of allowance for credit losses to loans and leases held for investment <sup>(1)</sup>	-	4.70%	-
Ratio of allowance for credit losses to total loans <sup>(1)</sup>	-	3.62%	-
Ratio of allowance for credit losses to nonperforming loans <sup>(1)</sup>	-	92%	-
Ratio of allowance for credit losses to loans and leases held for investment <sup>(2)</sup>	3.53%	4.21%	3.78%
Ratio of allowance for credit losses to total loans <sup>(2)</sup>	3.22%	3.84%	3.48%
Ratio of allowance for credit losses to nonperforming loans <sup>(2)</sup>	101%	83%	74%

(1) Excluding impact of pending sale at December 31, 2010

(2) Including impact of pending sale at December 31, 2010

(In thousands)	For the Quarter		For the Six Months	
	Ended June 30,		Ended June 30,	
	2011	2010	2011	2010
<b>Changes in Nonperforming Loans:</b>				
Balance, beginning of period	\$ 19,849	\$ 33,852	\$ 17,862	\$ 35,890
Additions to nonperforming	79	3,701	6,258	4,746
Charge-offs	(1,653)	(815)	(2,945)	(2,634)
Reclassified back to performing	(1,967)	(4,111)	(1,967)	(4,111)
Principal payment received	(1,234)	(2,180)	(4,134)	(3,444)
Transferred to other real estate owned	(4,182)	(5,765)	(4,182)	(5,765)
Balance, end of period	\$ 10,892	\$ 24,682	\$ 10,892	\$ 24,682

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

(In thousands)	For the Quarter Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
<b>Changes in Other Real Estate:</b>				
Balance, beginning of period	\$ 12,506	\$ 6,357	\$ 12,706	\$ 7,253
Transfers from nonperforming loans	4,182	7,264	4,182	7,264
Real estate sold	(2,586)	(1,055)	(2,586)	(1,413)
Net gains (losses) on sale of assets	50	(11)	50	(155)
Provision	(200)	(240)	(400)	(634)
Balance, end of period	\$ 13,952	\$ 12,315	\$ 13,952	\$ 12,315

(In thousands)	For the Quarter Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
<b>Changes in Allowance for Credit Losses:</b>				
Balance, beginning of period	\$ 14,176	\$ 18,195	\$ 16,476	\$ 18,047
Provision	500	1,500	1,100	3,500
Loans charged off	(3,722)	(1,533)	(5,021)	(3,413)
Loan recoveries	91	8	121	36
Transferred with branch divestiture	-	-	(1,631)	-
Balance, end of period	\$ 11,045	\$ 18,170	\$ 11,045	\$ 18,170
Ratio of net charge-offs to average total loans	(1.059)%	(0.283)%	(1.298)%	(0.614)%
Ratio of net charge-offs to average total loans, annualized	(4.234)%	(1.131)%	(2.596)%	(1.228)%

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

(In thousands)	As of	
	June 30, 2011	December 31, 2010
<b>CREDIT CONCENTRATIONS</b>		
<b>North Dakota</b>		
Commercial and industrial	\$ 66,779	\$ 80,536
Construction	894	1,029
Agricultural	14,678	13,673
Land and land development	10,626	10,682
Owner-occupied commercial real estate	24,999	24,941
Non-owner-occupied commercial real estate	12,145	12,567
Small business administration	2,458	3,116
Consumer/participating interests	14,663	15,820
Subtotal	\$ 147,242	\$ 162,364
<b>Arizona</b>		
Commercial and industrial	\$ 2,615	\$ 9,243
Construction	-	-
Agricultural	-	-
Land and land development	8,423	8,621
Owner-occupied commercial real estate	559	19,286
Non-owner-occupied commercial real estate	18,769	28,560
Small business administration	5,682	8,937
Consumer/participating interests	4,119	10,319
Subtotal	\$ 40,167	\$ 84,966
<b>Minnesota</b>		
Commercial and industrial	\$ 848	\$ 3,656
Construction	2,223	2,002
Agricultural	27	30
Land and land development	4,490	7,903
Owner-occupied commercial real estate	1,011	16,555
Non-owner-occupied commercial real estate	13,312	19,524
Small business administration	255	885
Consumer/participating interests	673	6,430
Subtotal	\$ 22,839	\$ 56,985