



# BNCCORP

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## NEWS RELEASE

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### **BNCCORP, INC. REPORTS FOURTH QUARTER NET INCOME OF \$528 THOUSAND, OR \$0.06 PER DILUTED SHARE**

#### **2010 Fourth Quarter Overview**

- **Record mortgage banking revenues drive quarterly profit**
- **Provisions for credit and real estate losses stabilize**
- **Nonperforming assets continue to decline resulting in improved credit quality ratios**
- **Agreement to sell certain assets and liabilities will improve capital ratios**

BISMARCK, ND, January 31, 2011 – BNCCORP, INC. (BNC or the Company) (Pink Sheets: 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 fourth quarter and year ended December 31, 2010.

Net income for the 2010 fourth quarter was \$528 thousand, or \$0.06 per diluted share. This compared to net income of \$1.975 million, or \$0.50 per diluted share, in the fourth quarter of 2009. The fourth quarter 2010 results reflect lower net interest income, higher non-interest income, increased non-interest expenses and stable costs for credit and real estate. Results in the

fourth quarter of 2009 were influenced by large gains on sales of securities which did not recur in the fourth quarter of 2010. Since December 31, 2009, the amount of nonperforming assets has decreased significantly and ratios related to the allowance for loan losses have steadily improved.

Gregory K. Cleveland, BNCCORP President and Chief Executive Officer, stated, “Overall we continue to make progress in a challenging period for many community banks. We continue to address credit issues, maintain liquidity, and manage the Bank’s capital. It is significant that our nonperforming assets decreased for the fifth consecutive quarter. We previously announced an agreement to sell certain loans and deposits in our Arizona and Minnesota markets, which will significantly bolster our capital ratios upon consummation of the transaction.”

### **Fourth Quarter Results**

Net interest income for the fourth quarter of 2010 was \$5.344 million, a decrease of \$1.994 million, or 27.2%, from \$7.338 million in the same period of 2009. The net interest margin for the current period decreased to 3.05% from 3.48% in the same period of 2009. The reduction in net interest income was influenced by lower interest rates, reduced balances of investments and loans, and significantly higher balances of liquid cash equivalents, which aggregated \$112.8 million at December 31, 2010, compared to \$35.4 million at December 31, 2009. Approximately \$40 million of the cash equivalents will be used to finance the sale of deposits while management intends to judiciously deploy the remainder of the cash as 2011 proceeds.

The provision for credit losses was \$1.000 million in the fourth quarter of 2010, unchanged from the 2009 period. Nonperforming loans have decreased \$18.0 million, or 50.2%, from \$35.9 million at December 31, 2009, to \$17.9 million as of December 31, 2010.

Non-interest income for the fourth quarter of 2010 was \$6.524 million, an increase of \$2.040 million, up 45.5% from \$4.484 million in the same period of 2009. Mortgage banking revenues, which aggregated \$5.162 million, rose by \$2.427 million, or 88.7%, from the fourth quarter of 2009 as low interest rates and government sponsorship in the secondary market have created conditions that favor mortgage banking. These revenues are expected to moderate in the first quarter of 2011. There were no gains on sales of investment securities during the recent quarter compared to \$826 thousand in the fourth quarter of 2009. The portfolio continues to have net

unrealized gains at the end of December 31, 2010. The opportunity to sell assets at attractive prices can vary from period to period. The 2010 fourth quarter included gains on sales of loans of \$159 thousand compared to losses of \$(427) thousand in the same period of 2009. In 2010 the Company sold portions of SBA loans at gains, whereas commercial real estate loans were sold at losses in 2009 sales to reduce our exposure to this softer segment of the economy.

Non-interest expense increased by \$1.432 million, or 16.1%, to \$10.340 million in the fourth quarter of 2010 compared to \$8.908 million in the same period of 2009. This increase can be attributed to increased regulatory costs and expenses incurred by mortgage banking operations. Costs related to foreclosed assets decreased \$11 thousand, or 1.2% in the fourth quarter compared to the same period in 2009.

Tax expense of \$0 was recognized during the fourth quarter of 2010. The Company has net operating loss carryforwards for federal tax purposes aggregating \$3.657 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 \$61 thousand, or (3.2)% of pre-tax income, was recognized during the fourth quarter of 2009.

Net income available to common shareholders was \$187 thousand, or \$0.06 per diluted share, for the fourth quarter after accounting for dividends accrued on preferred stock and the amortization of issuance discounts on preferred stock. These costs aggregated \$(341) thousand in the fourth quarter of 2010. Net income available to common shareholders in 2009 was \$1.644 million, or \$0.50 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. Since April 2010, the Company and its advisors have been diligently addressing this matter. In the second quarter, the Company determined the scope of the fraud losses and recorded a loss of \$26.231 million. 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 mid-year 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, as of mid-October, 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 (loss) available to common shareholders as prepared in accordance with generally accepted accounting principles to our determination of adjusted earnings:

	<b>Three Months Ended December 31, 2010</b>		<b>Twelve Months Ended December 31, 2010</b>	
	<b>Amount</b>	<b>Diluted per share (1)</b>	<b>Amount</b>	<b>Diluted per share (1)</b>
Net income (loss)	\$ 187	\$ 0.06	\$ (23,398)	\$ (7.13)
Fraud loss on assets serviced by others	-	-	26,231	8.00
Accrued interest reversed on assets serviced by others	-	-	287	0.08
Legal and professional fees associated with the fraud loss on assets serviced by others	222	0.07	877	0.27
Adjusted earnings	<u>\$ 409</u>	<u>\$ 0.13</u>	<u>\$ 3,997</u>	<u>\$ 1.22</u>

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

### **Year Ended December 31, 2010**

Net interest income in 2010 was \$23.272 million, a decrease of \$6.417 million, or 21.6%, from

\$29.689 million in the same period of 2009. The net interest margin for the current period decreased to 3.20% from 3.58% in the same period of 2009. The reduction in net interest income reflects lower interest rates, reduced balances of investments and loans, and higher balances of liquid cash equivalents. The Company maintained higher cash balances throughout much of 2010 to facilitate the sale of certain deposits and capital management activities.

The provision for credit losses was \$5.750 million in 2010, substantially below the \$27.000 million reported in 2009. In 2009 our results were characterized by large provisions for credit and real estate costs as management concluded it was appropriate to address credit issues in an aggressive fashion. Since the large provision for credit losses was taken in 2009, nonperforming loans have decreased steadily. Nonperforming loans have decreased by 50.2%, or \$18.0 million, since December 31, 2009, and management continues to monitor the credit portfolio diligently.

Non-interest income in 2010 was \$23.973 million, an increase of \$7.960 million, up 49.7% from \$16.013 million in 2009. Mortgage banking revenues rose by \$5.034 million, or 60.0%, from \$8.390 million in 2009, to \$13.424 million, as low interest rates and government sponsorship in the secondary market have created conditions that favor mortgage banking. Gains on sales of investment securities aggregated \$4.390 million in 2010 compared to \$2.850 million in 2009. The portfolio reflected net unrealized gains at the end of December 31, 2010. The opportunity to sell assets at attractive prices can vary from period to period. The gains on sales of loans which aggregated \$371 thousand in 2010 related to sales of portions of SBA loans, whereas the losses of \$(339) thousand in 2009 related to sales of commercial real estate loans. While wealth management revenues increased in 2010 compared to 2009, this trend is expected to decrease as we have exited two lines of business within the wealth management operations.

Excluding the fraud loss on assets serviced by others recognized in the second quarter of 2010, non-interest expense decreased by \$1.846 million, or 4.7%, to \$37.257 million in 2010 compared to \$39.103 million in the same period of 2009. This decrease was due primarily to lower costs related to foreclosed assets, which aggregated \$2.707 million in 2010 and \$8.169 million in 2009. Excluding fraud losses and costs associated with foreclosed assets, non-interest expense aggregated \$34.550 million in 2010 and \$30.934 million in 2009. This increase can be attributed to increased regulatory costs and expenses incurred by mortgage banking operations.

Tax expense of \$72 thousand was recognized in 2010. Although the Company has net operating loss carryforwards aggregating \$3.657 million for federal tax purposes, a provision for taxes was recorded in 2010 for state tax obligations. 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. The tax benefit in 2009 was \$1.625 million, or 8.0% of pre-tax losses.

Net loss available to common shareholders was \$(23.398) million, or \$(7.13) per share, in 2010. This includes the fraud loss and related items of (\$26.399) and dividends accrued on preferred stock and the amortization of issuance discounts on preferred stock aggregating \$1.333 million in 2010. Net loss available to common shareholders in 2009 was \$(20.030) million, or \$(6.14) per diluted share.

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

Total assets were \$747.1 million at December 31, 2010, a decrease of \$121 million, or 13.9%, compared to \$868.1 million at December 31, 2009. Loans held for investment decreased by \$96.1 million (excluding the impact of the pending sale of certain loans) as the Company has focused on reducing exposure to credit risk. In the fourth quarter of 2010 the Company entered into an agreement to sell approximately \$72.2 million of loans in order to improve capital ratios of the Bank. Repayments on investment securities, and sales thereof, reduced investment balances by \$75.6 million since the beginning of the year.

Total deposits were \$661.1 million at December 31, 2010, decreasing by \$94.9 million from 2009 year-end. Core deposits aggregated \$594.2 million at December 31, 2010 and \$640.2 million at December 31, 2009. The decline in core deposits is part of the Company's strategy to reduce higher cost certificates of deposit and emphasize lower cost non-interest bearing checking and money market accounts. Lower cost core deposits increased by approximately \$10.5 million during 2010, (excluding the impact of the pending sale of certain deposits). This increase was offset by a decline in higher cost time deposits of \$132.8 million (excluding the impact of the pending sale of certain deposits). In the fourth quarter of 2010 the Company entered into an agreement to sell approximately \$107.4 million of deposits in order to improve capital ratios of the Bank.

Other borrowings decreased by \$7.6 million in 2010, as the Company focused on reducing its higher cost debt. Available borrowing capacity from the FHLB was approximately \$76.1 million as of December 31, 2010 and the Company had \$0 of FHLB advances outstanding at year end.

Total equity was \$37.3 million at December 31, 2010, compared to \$57.3 million at December 31, 2009. The book value per common share was \$5.09 as of December 31, 2010, compared to \$11.24 as of December 31, 2009.

Trust assets under supervision were \$223.8 million at December 31, 2010, compared to \$342.5 million at December 31, 2009. The decrease in assets under supervision relates to declines in our employee benefit areas offset by appreciation of securities in 2010.

### **Regulatory Capital**

Banks and their bank holding companies generally operate under separate regulatory capital requirements. At December 31, 2010, the tier 1 leverage ratios, tier 1 risk-based capital ratios and the total risk-based capital ratios of both BNCCORP and BNC National Bank exceeded regulatory “well-capitalized” requirements.

At December 31, 2010, BNCCORP’s tier 1 leverage ratio was 6.16%, the tier 1 risk-based capital ratio was 9.49%, and the total risk-based capital ratio was 13.28%. Tangible common equity at December 31, 2010 was 2.24%.

At December 31, 2010, BNC National Bank had a tier 1 leverage ratio of 7.53%, a tier 1 risk-based capital ratio of 11.57%, and a total risk-based capital ratio of 12.85%. Tangible capital to tangible assets for BNC National Bank was 8.00%.

### **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.

The Company's credit quality trends have recently been characterized by a decrease in nonperforming assets both in dollar terms and as a percentage of total assets. The provision for credit losses and other real estate costs was \$8.133 million in 2010, declining from \$35.057 million in 2009. Nonperforming assets decreased by \$12.6 million, or 29.1% since December 31, 2009. The ratio of total nonperforming assets to total assets was 4.09% at December 31, 2010, compared with 4.97% at December 31, 2009. Nonperforming loans have decreased \$18.0 million, or 50.2%, from \$35.9 million at December 31, 2009, to \$17.9 million as of December 31, 2010.

The allowance for credit losses was \$16.5 million at December 31, 2010 and \$18.0 million at December 31, 2009. The allowance for credit losses as a percentage of total loans at December 31, 2010 was 3.62%, compared with 3.11% at December 31, 2009. The allowance for credit losses as a percentage of loans and leases held for investment at December 31, 2010 was 4.70%, compared with 3.49% at December 31, 2009. The ratio of the allowance for credit losses to total nonperforming loans as of December 31, 2010 was 92% compared to 50% at December 31, 2009. All figures above exclude the impact of the pending sale of certain assets to Alerus Financial. When such sale is consummated, we expect an allowance aggregating \$1.711 million allocated to the loans being sold will be transferred with the loans. See table on page 15 of this press release for ratios related to the allowance for credit losses as impacted by the pending sale.

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 December 31, 2009, BNC had \$54.2 million of classified loans, \$35.9 million of loans on non-accrual and \$7.3 million of other real estate owned.

Since December 31, 2009, other real estate owned has increased by \$5.4 million, as certain nonperforming loans have migrated into foreclosure.

BNC has concentrations in real estate loans and mortgage banking relationships as shown in the table on page 17.

## **Sale of Certain Assets and Deposits**

As previously announced on November 19, 2010, BNCCORP, INC. entered into a definitive agreement with Alerus Financial Corp. of Grand Forks, North Dakota, whereby Alerus will purchase certain deposits and selected assets in the Arizona and Minnesota markets from BNC National Bank. The purchase was approved by regulators in early 2011 and is expected to be completed in the first quarter of 2011. 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 will continue to offer a full range of banking services in the Arizona and Minnesota markets following the sale. Its lending operations in both markets will continue to offer business and consumer loans including SBA, commercial real estate and other loans. BNC branches will also provide mortgage banking services, wealth management services, depository lock box services, business and personal deposit and checking accounts and a comprehensive portfolio of other financial solutions. BNC will continue to operate its branch in Glendale and a mortgage banking location in Scottsdale, Arizona, and also will operate both its Minneapolis and Golden Valley, Minnesota locations.

Gregory K. Cleveland stated "This transaction is intended to position BNC strongly for the future by managing our balance sheet in a way that allows the Company to significantly enhance its capital ratios. We will continue to offer services and participate in the growth opportunities in the Arizona and Minnesota markets. It is also important to note that the transaction does not impact our operations in North Dakota or any mortgage banking locations. The economy in North Dakota is comparatively robust and should be an excellent source of future growth for BNC, as we look forward to capitalizing on opportunities emerging in this region."

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 18 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 December 31,		For the Twelve Months Ended December 31,	
	2010	2009	2010	2009
<b>SELECTED INCOME STATEMENT DATA</b>				
Interest income	\$ 7,637	\$ 10,885	\$ 33,510	\$ 44,588
Interest expense	2,293	3,547	10,238	14,899
Net interest income	5,344	7,338	23,272	29,689
Provision for credit losses	1,000	1,000	5,750	27,000
Non-interest income	6,524	4,484	23,973	16,013
Non-interest expense	10,340	8,908	63,488	39,103
Income (loss) before income taxes	528	1,914	(21,993)	(20,401)
Income tax expense (benefit)	-	(61)	72	(1,625)
Net income (loss)	528	1,975	(22,065)	(18,776)
Preferred stock costs	(341)	(331)	(1,333)	(1,254)
Net income (loss) available to common shareholders	\$ 187	\$ 1,644	\$ (23,398)	\$ (20,030)
<b>EARNINGS PER SHARE DATA</b>				
Basic earnings (loss) per common share	\$ 0.06	\$ 0.50	\$ (7.13)	\$ (6.14)
Diluted earnings (loss) per common share	\$ 0.06	\$ 0.50	\$ (7.13)	\$ (6.14)

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

(In thousands, except share data)	For the Quarter Ended December 31,		For the Twelve Months Ended December 31,	
	2010	2009	2010	2009
<b>ANALYSIS OF NON-INTEREST INCOME</b>				
Bank charges and service fees	\$ 705	\$ 670	\$ 2,533	\$ 2,332
Wealth management revenues	360	544	2,133	2,056
Mortgage banking revenues	5,162	2,735	13,424	8,390
Gains (losses) on sales of loans, net	159	(427)	371	(339)
Gains on sales of securities, net	-	826	4,390	2,850
Other	138	136	1,122	724
Total non-interest income	\$ 6,524	\$ 4,484	\$ 23,973	\$ 16,013
<b>ANALYSIS OF NON-INTEREST EXPENSE</b>				
Salaries and employee benefits	\$ 4,313	\$ 3,770	\$ 16,080	\$ 15,008
Professional services	1,596	1,128	5,068	3,064
Other real estate costs	877	888	2,707	8,169
Occupancy	723	622	2,885	2,508
Data processing fees	692	649	2,697	2,330
Regulatory costs	524	365	1,951	1,466
Marketing and promotion	369	411	1,372	1,277
Depreciation and amortization	344	333	1,333	1,465
Office supplies and postage	159	169	603	611
Fraud loss on assets serviced by others	-	-	26,231	-
Other	743	573	2,561	3,205
Total non-interest expense	\$ 10,340	\$ 8,908	\$ 63,488	\$ 39,103
<b>WEIGHTED AVERAGE SHARES</b>				
Common shares outstanding (a)	3,281,719	3,275,279	3,281,719	3,261,831
Incremental shares from assumed conversion of options and contingent shares	-	-	-	11,891
Adjusted weighted average shares (b)	3,281,719	3,275,279	3,281,719	3,273,722

(a) Denominator for Basic Earnings Per Common Share

(b) Denominator for Diluted Earnings Per Common Share

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

(In thousands, except share, per share and full time equivalent data)	As of		
	December 31, 2010	September 30, 2010	December 31, 2009
<b>SELECTED BALANCE SHEET DATA</b>			
Total assets	\$ 747,069	\$ 748,991	\$ 868,083
Loans held for sale-mortgage banking	29,116	50,691	24,130
Participating interests in mortgage loans	4,888	12,943	38,534
Other loans held for sale	72,212	-	-
Loans and leases held for investment	350,501	445,726	517,108
Total loans	455,006	509,360	579,772
Allowance for credit losses <sup>(1)</sup>	(16,476)	(16,757)	(18,047)
Allowance for credit losses <sup>(2)</sup>	(14,765)	-	-
Investment securities available for sale	137,032	150,322	212,661
Other real estate, net	12,706	10,571	7,253
Earning assets	680,002	685,156	802,078
Deposits held for sale	107,446	-	-
Total deposits <sup>(1)</sup>	661,111	661,929	755,963
Core deposits <sup>(1)</sup>	594,152	586,011	640,169
Other borrowings	40,463	38,453	48,080
Cash and cash equivalents	112,847	48,496	35,362
<p>(1) Excluding impact of pending sale</p> <p>(2) Including impact of pending sale</p>			
<b>OTHER SELECTED DATA</b>			
Net unrealized gains (losses) in investment portfolio, pretax	\$ 2,789	\$ 2,329	\$ (355)
Trust assets under supervision	\$ 223,829	\$ 296,336	\$ 342,451
Total common stockholders' equity	\$ 16,835	\$ 16,143	\$ 36,980
Book value per common share	\$ 5.09	\$ 4.88	\$ 11.24
Effect of net unrealized gains (losses) on securities available for sale, net of tax, on book value per common share	\$ 0.65	\$ 0.51	\$ (0.30)
Book value per common share, excluding effect of unrealized gains (losses) on securities	\$ 4.44	\$ 4.37	\$ 11.54
Full time equivalent employees	281	277	318
Common shares outstanding	3,304,339	3,305,219	3,290,219
<b>CAPITAL RATIOS</b>			
Tier 1 leverage (Consolidated)	6.16%	6.06%	8.58%
Tier 1 risk-based capital (Consolidated)	9.49%	8.70%	12.32%
Total risk-based capital (Consolidated)	13.28%	12.25%	14.15%
Tangible common equity (Consolidated)	2.24%	2.13%	4.23%
Tier 1 leverage (BNC National Bank)	7.53%	7.43%	8.54%
Tier 1 risk-based capital (BNC National Bank)	11.57%	10.64%	12.25%
Total risk-based capital (BNC National Bank)	12.85%	11.92%	13.52%
Tangible capital (BNC National Bank)	8.00%	7.87%	8.65%

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

(In thousands)	For the Quarter Ended December 31,		For the Twelve Months Ended December 31,	
	2010	2009	2010	2009
<b>AVERAGE BALANCES**</b>				
Total assets	\$ 760,478	\$ 905,097	\$ 790,702	\$ 900,216
Loans held for sale-mortgage banking	43,571	24,391	29,039	23,570
Participating interests in mortgage loans	12,548	33,617	20,144	29,683
Loans and leases held for investment	438,440	539,068	478,492	547,336
Total loans	494,559	597,076	527,675	600,589
Investment securities available for sale	144,108	235,643	166,802	227,131
Earning assets	695,667	836,338	727,627	828,856
Total deposits	672,615	780,408	697,614	728,218
Core deposits	599,175	648,923	607,277	604,729
Total equity	37,354	59,226	46,253	70,884
Cash and cash equivalents	80,818	19,782	53,512	12,560
<b>KEY RATIOS**</b>				
Return on average common stockholders' equity	4.39%	16.75%	(90.47)%	(38.88)%
Return on average assets	0.28%	0.87%	(2.79)%	(2.09)%
Net interest margin	3.05%	3.48%	3.20%	3.58%
Efficiency ratio	87.13%	75.35%	134.38%	85.56%
Efficiency ratio, excluding gains on sales of securities, provisions for real estate losses and goodwill	80.81%	74.19%	142.59%	71.49%

\*\*These amounts exclude the impact of pending sale

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

(In thousands)	As of		
	December 31, 2010	September 30, 2010	December 31, 2009
<b>ASSET QUALITY</b>			
Loans 90 days or more delinquent and still accruing interest	\$ -	\$ 1	\$ 1
Non-accrual loans	17,862	22,725	35,889
Total nonperforming loans	\$ 17,862	\$ 22,726	\$ 35,890
Other real estate, net	12,706	10,571	7,253
Total nonperforming assets	\$ 30,568	\$ 33,297	\$ 43,143
Allowance for credit losses <sup>(1)</sup>	\$ 16,476	\$ 16,757	\$ 18,047
Allowance for credit losses <sup>(2)</sup>	\$ 14,765	\$ -	\$ -
Ratio of total nonperforming loans to total loans	3.93%	4.46%	6.19%
Ratio of total nonperforming assets to total assets	4.09%	4.45%	4.97%
Ratio of allowance for credit losses to loans and leases held for investment <sup>(1)</sup>	4.70%	3.76%	3.49%
Ratio of allowance for credit losses to total loans <sup>(1)</sup>	3.62%	3.29%	3.11%
Ratio of allowance for credit losses to nonperforming loans <sup>(1)</sup>	92%	74%	50%
Ratio of allowance for credit losses to loans and leases held for investment <sup>(2)</sup>	4.21%	-	-
Ratio of allowance for credit losses to total loans <sup>(2)</sup>	3.84%	-	-
Ratio of allowance for credit losses to nonperforming loans <sup>(2)</sup>	83%	-	-

(1) Excluding impact of pending sale

(2) Including impact of pending sale

(In thousands)	For the Quarter Ended December 31,		For the Twelve Months Ended December 31,	
	2010		2010	
<b>Changes in Nonperforming Loans:</b>				
Balance, beginning of period	\$	22,726	\$	35,890
Additions to nonperforming		820		7,385
Charge-offs		(725)		(3,991)
Reclassified back to performing		(1,097)		(5,208)
Principal payments received		(623)		(4,882)
Transferred to other real estate owned		(3,239)		(11,332)
Balance, end of period	\$	17,862	\$	17,862

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

(In thousands)	<b>For the Quarter Ended December 31,</b>		<b>For the Twelve Months Ended December 31,</b>	
	<b>2010</b>		<b>2010</b>	
<b>Changes in Other Real Estate:</b>				
Balance, beginning of period	\$	10,571	\$	7,253
Transfers from nonperforming loans		3,239		11,332
Real estate sold		(375)		(3,370)
Net gains (losses) on sales of assets		21		(126)
Provision		(750)		(2,383)
Balance, end of period	\$	12,706	\$	12,706

(In thousands)	<b>For the Quarter Ended December 31,</b>		<b>For the Twelve Months Ended December 31,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Changes in Allowance for Credit Losses:</b>				
Balance, beginning of period	\$ 16,757	\$ 20,988	\$ 18,047	\$ 8,751
Provision	1,000	1,000	5,750	27,000
Loans charged off	(1,378)	(3,941)	(7,786)	(17,876)
Loan recoveries	97	-	465	172
Balance, end of period	\$ 16,476	\$ 18,047	\$ 16,476	\$ 18,047
Allowance related to other loans held for sale	\$ 1,711	\$ -	\$ 1,711	\$ -
Allowance including impact of pending sale	\$ 14,765	\$ -	\$ 14,765	\$ -
Ratio of net charge-offs to average total loans	(0.259)%	(0.660)%	(1.387)%	(2.948)%
Ratio of net charge-offs to average total loans, annualized	(1.036)%	(2.640)%	(1.387)%	(2.948)%

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

(In thousands)	As of	
	December 31, 2010	December 31, 2009
<b>CREDIT CONCENTRATIONS</b>		
<b>North Dakota</b>		
Commercial and industrial	\$ 80,536	\$ 84,400
Construction	1,029	4,572
Agricultural	13,673	22,422
Land and land development	10,682	12,321
Owner-occupied commercial real estate	24,941	27,960
Non-owner-occupied commercial real estate	12,567	12,419
Small business administration	3,116	2,434
Consumer/participating interests	15,820	17,754
Subtotal	\$ 162,364	\$ 184,282
<b>Arizona</b>		
Commercial and industrial	\$ 9,243	\$ 19,740
Construction	-	2,136
Agricultural	-	-
Land and land development	8,621	18,541
Owner-occupied commercial real estate	19,286	23,508
Non-owner-occupied commercial real estate	28,560	32,497
Small business administration	8,937	5,042
Consumer/participating interests	10,319	33,503
Subtotal	\$ 84,966	\$ 134,967
<b>Minnesota</b>		
Commercial and industrial	\$ 3,656	\$ 10,589
Construction	2,002	4,698
Agricultural	30	33
Land and land development	7,903	12,641
Owner-occupied commercial real estate	16,555	18,675
Non-owner-occupied commercial real estate	19,524	25,203
Small business administration	885	1,025
Consumer/participating interests	6,430	8,650
Subtotal	\$ 56,985	\$ 81,514