



# BNCCORP

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## NEWS RELEASE

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### **BNCCORP, INC. REPORTS NET INCOME OF \$616 THOUSAND, OR \$0.11 PER DILUTED COMMON SHARE, FOR 2009 FIRST QUARTER**

#### **First Quarter 2009 Highlights**

- **Net interest income is 9.7% higher than 2008 first quarter**
- **Mortgage banking revenues and gains on sales of investments drive significant increase in non-interest income**
- **Provisions for loans and real estate losses are \$1.650 million higher than 2008 first quarter**
- **Allowances for loans and real estate losses increase from year-end 2008**
- **Regulatory capital increases significantly compared with year-end 2008**

BISMARCK, ND, April 30, 2009 – BNCCORP, Inc. (BNC) (Pink Sheets: BNCC), which operates community banking and wealth management businesses in Arizona, Minnesota and North Dakota, and mortgage banking offices in Iowa, Kansas, Missouri and Arizona, today reported financial results for the first quarter ended March 31, 2009.

Net income was \$616 thousand, or \$0.11 per diluted common share, for the first quarter of 2009. This compared to net income of \$1.362 million, or \$0.39 per diluted common share, in the first quarter of 2008.

Gregory K. Cleveland, BNCCORP President and Chief Executive Officer, stated, “BNC’s profitable results for the 2009 first quarter reflected strong growth in net interest income and non-interest income, as well as a higher provision for credit losses due to the difficult economy. In particular, the results benefitted from our decision to expand mortgage banking operations in the middle of last year. This action was well-timed, as we had ample opportunity to integrate the operation before explosive refinancing activities generated significant revenue in the first quarter. While we are pleased to have made money in a challenging period, we know that economic conditions continue to deteriorate. We are fortunate to have significant regulatory capital and intend to manage our business prudently, but the current economic trends cause us to have very modest expectations for the balance of this year.”

### **First Quarter Results**

Net interest income for the first quarter of 2009 was \$6.882 million, an increase of \$610 thousand, or 9.7%, from \$6.272 million in the same period of 2008. The net interest margin for the current period declined to 3.56% from 3.78% in the same period of 2008. Asset growth and lower interest rates on liabilities spurred higher net interest income. These improvements were partially offset by increases in non-accruing assets and the decline in interest rates which compressed net interest margin.

The provision for credit losses in the first quarter of 2009 was \$1.700 million compared to \$800 thousand in the first quarter of 2008. The provision for other real estate losses was \$750 thousand in the first quarter of 2009 compared to \$0 in the 2008 first quarter. These charges reflect the deteriorating economic conditions, the amount and trend of nonperforming assets, and other factors based on management’s regular ongoing evaluation of the loan portfolio and other real estate.

Non-interest income for the first quarter of 2009 was \$3.696 million, an increase of \$1.397 million, up 61% from \$2.299 million in the same period of 2008. BNC expanded mortgage banking operations in the second quarter of 2008 and, as a result, these revenues rose by \$1.426 million versus the first quarter of 2008. Gains on sales of investments were \$903 thousand in the first quarter of 2009, while there were no similar gains in the 2008 first quarter. Gains on sales of commercial real estate loans were \$0 in the first quarter of 2009 compared to \$759 in the 2008 first quarter. The secondary market for this asset class functioned at minimal levels and is not anticipated to improve in the near term. Wealth management revenues decreased \$172 thousand from a year ago, to \$584

thousand, primarily due to fewer fees for managing documents for insurance products sold by others, and as a result, we expect wealth management revenues to be lower in 2009 than in 2008.

In the first quarter of 2009, non-interest expense increased by \$2.321 million to \$8.060 million, from \$5.739 million in the same period of 2008. Costs related to other real estate were \$907 thousand in the first quarter of 2009 while there were no similar costs in the 2008 first quarter. Non-interest expenses in the mortgage banking operations were approximately \$800 thousand higher in 2009 than in the first quarter of 2008.

Tax expense of \$202 thousand resulted in a 24.7% effective tax rate during the first quarter of 2009. The tax expense in the first quarter of 2008 was \$670 thousand, which resulted in an effective tax rate of 33.0%. The effective tax rate is lower in 2009 because more of our pre-tax earnings are from tax exempt sources.

Net income available to common shareholders of \$350 thousand in the 2009 first quarter represents amounts available after dividends paid on preferred stock and amortization of issuance discounts on the preferred stock. Such dividends and amortization contributed to the decrease in earnings per common share in the first quarter of 2009.

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

Total assets were \$903.0 million at March 31, 2009, an increase of \$41.5 million, or 4.8%, compared to \$861.5 million at December 31, 2008. Loans held for sale increased by \$15.9 million and investment securities available for sale were \$17.9 million higher than at the beginning of the year. Organic growth fueled the increase in loans, while investments increased as a result of leverage strategies intended to increase net interest income.

Total liabilities, including deposits, at March 31, 2009 increased by \$20.6 million to \$828.2 million compared to \$807.6 million at December 31, 2008.

Total deposits were \$687.9 million at March 31, 2009, increasing by \$12.6 million from 2008 year-end. Core deposits aggregated \$570.8 million, \$575.6 million and \$516.2 million at March 31, 2009, December 31, 2008 and March 31, 2008, respectively. Wholesale deposits aggregated \$117.1

million at March 31, 2009, an increase of \$17.4 million since the beginning of the year. Wholesale deposits are utilized to fund BNC's leverage strategies.

Total common stockholders' equity was \$54.7 million at March 31, 2009, compared to \$53.9 million at December 31, 2008.

The book value per common share was \$16.57 as of March 31, 2009, compared to \$16.35 as of December 31, 2008. Excluding the impact of the unrealized gains and losses on investments, the book value per common share was \$17.89 as of March 31, 2009, compared to \$17.82 as of December 31, 2008.

Trust assets under supervision were \$321.0 million at March 31, 2009, compared \$320.3 million at December 31, 2008.

### **Regulatory Capital**

The Company's capital levels significantly exceeded the regulatory requirements for "well-capitalized" institutions at March 31, 2009. At that date, the tier 1 leverage ratio was 11.48%, the tier 1 risk-based capital ratio was 14.68%, and the total risk-based capital ratio was 15.94%. Our tangible common equity at March 31, 2009 was 5.98%.

At March 31, 2009, the Company's subsidiary, BNC National Bank, had total risk-based capital of \$103.8 million, which was \$35.3 million greater than the \$68.5 million required to meet the "well-capitalized" threshold. BNC National Bank's tangible capital was 8.47% of total assets at March 31, 2009.

In January of 2009, the Company issued preferred stock with an aggregate liquidation preference of approximately \$21 million to the U.S. Treasury under its Capital Purchase Program (CPP). Community banks were encouraged to participate in this program in order to improve availability of credit. Only institutions deemed qualified by their primary regulators based upon criteria established by the Treasury were permitted to participate in this program.

As a sound, well-capitalized institution, BNC initially decided to participate in the CPP as a prudent measure to further strengthen our capital, reassure our customers and enhance our ability to support lending growth at a time of significant economic uncertainty. However, subsequent legislation and regulations implementing the CPP have significant implications on participating institutions, including compensation programs and corporate governance requirements. It is also possible that additional restrictions may be imposed on CPP participants. We believe we are substantially in compliance with the requirements of CPP currently in effect and will continue to monitor other requirements as they evolve.

### **Asset Quality**

The Company is carefully monitoring asset quality due to present economic conditions and expects credit risk to remain elevated in 2009 and periods beyond. Accordingly, provisions for credit and other real estate (ORE) losses are anticipated to be elevated for the foreseeable future.

The allowance for credit losses was \$9.7 million, \$8.8 million and \$7.2 million at March 31, 2009, December 31, 2008, and March 31, 2008, respectively. The allowance for credit losses as a percentage of total loans at March 31, 2009 was 1.68%, compared with 1.50% at December 31, 2008. The allowance for credit losses as a percentage of loans and leases held for investment at March 31, 2009 was 1.77%, compared with 1.60% at December 31, 2008. The ratio of total nonperforming assets to total assets was 4.30% at March 31, 2009, compared with 3.84% at December 31, 2008. The ratio of the allowance for credit losses to total nonperforming loans as of March 31, 2009 was 41%, compared to 38% at December 31, 2008.

At March 31, 2009, BNC had \$46.0 million of classified loans, \$23.7 million of loans on non-accrual and \$15.1 million of other real estate owned. At December 31, 2008, BNC had \$33.1 million of classified loans, \$22.9 million of loans on non-accrual and \$10.2 million of other real estate owned. At March 31, 2008, BNC had \$17.4 million of classified loans and \$9.6 million of loans on non-accrual and \$0 of other real estate owned. The balances of classified loans, non-accrual loans and other real estate owned are higher than they have been in recent years and we expect these balances to remain elevated for the foreseeable future.

BNC has concentrations of land and construction loans. At March 31, 2009, the Company had

construction loans of \$43.5 million and land and land development loans aggregating \$56.2 million. At December 31, 2008, the Company had construction loans of \$37.7 million and land and land development loans aggregating \$61.8 million. At March 31, 2008, the Company had construction loans of \$51.5 million and land and land development loans aggregating \$68.8 million.

## **Outlook**

Mr. Cleveland noted, “BNC continues to serve our customers and community, while maintaining a wary viewpoint on the economy. Nationwide, housing and other real estate values are continuing to decline, workers are concerned about jobs, and businesses are finding it more difficult generate profits. These circumstances, among others, create uncertainty and cause businesses and consumers to be cautious. Government interventions into the financial services industry may be well intended, but it is important that these interventions not come with excessive restrictions if they are to have the desired benefits. All-in-all, this is a very difficult period for the financial services industry and we do not see conditions abating in the near term. BNC is fortunate to have a strong capital position, a sharp focus on our business, and a team of very talented and competitive people who are committed to long term success.”

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, mortgage banking and wealth management businesses in Arizona, Minnesota and North Dakota from 20 locations. BNC also conducts mortgage banking from five locations in Iowa, Kansas, Missouri 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 HIGHLIGHTS**  
**(Unaudited)**

(Unaudited and in thousands, except per share data)	<b>For the Quarter Ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>SELECTED INCOME STATEMENT DATA</b>		
Interest income	\$10,679	\$11,385
Interest expense	3,797	5,113
Net interest income	6,882	6,272
Provision for credit losses	1,700	800
Non-interest income	3,696	2,299
Non-interest expense	8,060	5,739
Income before income taxes	818	2,032
Income tax expense	202	670
Net income	\$616	\$1,362
Preferred stock costs	266	-
Net income available to common shareholders	\$350	\$1,362
<b>EARNINGS PER SHARE DATA</b>		
Basic earnings per common share	\$0.11	\$0.40
Diluted earnings per common share	\$0.11	\$0.39

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

(In thousands, except share, per share and full time equivalent data)	As of		
	March 31, 2009	December 31, 2008	March 31, 2008
<b>SELECTED BALANCE SHEET DATA</b>			
Total assets	\$ 903,035	\$ 861,498	\$ 765,423
Loans held for sale	29,275	13,403	5,065
Participating interests in mortgage loans	28,843	28,584	26,160
Loans and leases held for investment	545,438	542,753	516,452
Total loans	603,556	584,740	547,677
Allowance for credit losses	(9,674)	(8,751)	(7,178)
Investment securities available for sale	227,810	209,857	160,452
Other real estate	15,143	10,189	-
Earning assets	829,024	791,844	708,202
Total deposits	687,882	675,321	568,214
Core deposits	570,792	575,637	516,239
Other borrowings	131,328	124,369	130,609
<b>OTHER SELECTED DATA</b>			
Net unrealized gains (losses) in investment portfolio, pretax	\$ (7,014)	\$ (7,805)	\$ 802
Trust assets under supervision	\$ 321,027	\$ 320,340	\$ 321,964
Total common stockholders' equity	\$ 54,667	\$ 53,947	\$ 58,241
Book value per common share	\$ 16.57	\$ 16.35	\$ 17.62
Effect of net unrealized gains (losses) on securities available for sale, net of tax, on book value per common share	\$ (1.32)	\$ (1.47)	\$ 0.15
Book value per common share, excluding effect of unrealized gains (losses) on securities	\$ 17.89	\$ 17.82	\$ 17.47
Full time equivalent employees	285	238	178
Common shares outstanding	3,299,163	3,299,163	3,305,742
<b>CAPITAL RATIOS</b>			
Tier 1 leverage (Consolidated)	11.48%	9.01%	10.47%
Tier 1 risk-based capital (Consolidated)	14.68%	11.15%	12.02%
Total risk-based capital (Consolidated)	15.94%	12.95%	13.78%
Tangible common equity (Consolidated)	5.98%	6.21%	7.52%
Tier 1 leverage (BNC National Bank)	9.16%	9.34%	11.42%
Tier 1 risk-based capital (BNC National Bank)	11.71%	11.56%	13.12%
Total risk-based capital (BNC National Bank)	15.16%	12.81%	14.26%
Tangible capital (BNC National Bank)	8.47%	8.77%	10.90%

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

(In thousands)	<b>For the Quarter Ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>AVERAGE BALANCES</b>		
Total assets	\$876,472	\$721,024
Loans held for sale	23,335	374
Participating interests in mortgage loans	26,126	22,708
Loans and leases held for investment	549,619	506,886
Total loans	599,081	529,968
Earning assets	807,256	666,488
Total deposits	663,453	547,777
Core deposits	564,590	512,265
Common stockholders' equity	55,647	61,016
<b>KEY RATIOS</b>		
Return on average common stockholders' equity	2.85%	8.98%
Return on average assets	0.29%	0.76%
Net interest margin	3.56%	3.78%
Efficiency ratio	76.06%	66.96%

**As of**

(In thousands)	<b>As of</b>		
	<b>March 31, 2009</b>	<b>December 31, 2008</b>	<b>March 31, 2008</b>
<b>ASSET QUALITY</b>			
Loans 90 days or more delinquent and still accruing interest	\$ -	\$ 6	\$ 2
Non-accrual loans	23,728	22,909	9,602
Total nonperforming loans	\$ 23,728	\$ 22,915	\$ 9,604
Other real estate	15,143	10,189	-
Total nonperforming assets	\$ 38,870	\$ 33,104	\$ 9,604
Allowance for credit losses	\$ 9,674	\$ 8,751	\$ 7,178
Ratio of total nonperforming loans to total loans	3.93%	3.92%	1.75%
Ratio of total nonperforming assets to total assets	4.30%	3.84%	1.25%
Ratio of allowance for credit losses to loans and leases held for investment	1.77%	1.61%	1.39%
Ratio of allowance for credit losses to total loans	1.68%	1.50%	1.31%
Ratio of allowance for credit losses to nonperforming loans	41%	38%	75%

	<b>For the Quarter Ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>Changes in Allowance for Credit Losses:</b>		
Balance, beginning of period	\$8,751	\$6,599
Provision	1,700	800
Loans charged off	(782)	(232)
Loan recoveries	5	11
Balance, end of period	<u>\$9,674</u>	<u>\$7,178</u>
Ratio of net charge-offs to average total loans	(0.130)%	(0.042)%
Ratio of net charge-offs to average total loans, annualized	(0.519)%	(0.167)%

	<b>For the Quarter Ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>Changes in Allowance for Other Real Estate</b>		
Balance, beginning of period	\$-	\$-
Provision	750	-
Charged offs	-	-
Recoveries	-	-
Balance, end of period	<u>\$750</u>	<u>\$-</u>

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

(In thousands, except share data)	For the Quarter Ended March 31,	
	2009	2008
<b>ANALYSIS OF NON-INTEREST INCOME</b>		
Bank charges and service fees	\$579	\$491
Wealth management revenues	584	756
Mortgage banking revenues	1,426	-
Gains on sales of commercial real estate loans	-	759
Net gain on sales of securities	903	-
Other	204	293
Total non-interest income	\$3,696	\$2,299
<b>ANALYSIS OF NON-INTEREST EXPENSE</b>		
Salaries and employee benefits	\$3,739	\$3,423
Data processing fees	539	506
Occupancy	639	442
Depreciation and amortization	371	342
Marketing and promotion	185	195
Professional services	497	189
FDIC and other assessments	179	54
Office supplies and postage	141	111
Provision for ORE losses	750	-
ORE expenses	157	-
Other	863	477
Total non-interest expense	\$8,060	\$5,739
<b>WEIGHTED AVERAGE SHARES</b>		
Common shares outstanding (a)	3,261,831	3,407,821
Incremental shares from assumed conversion of options and contingent shares	12,764	41,660
Adjusted weighted average shares (b)	3,274,595	3,449,481

(a) Denominator for Basic Earnings Per Common Share

(b) Denominator for Diluted Earnings Per Common Share